



# 優然牧業

YOURAN DAIRY

China Youran Dairy Group Limited  
中國優然牧業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9858



2023  
ANNUAL REPORT



# Company Profile

The Company was listed on the Main Board of the Stock Exchange on June 18, 2021 (stock code: 9858.HK). The Group is a leader in China's upstream dairy market with business covering the entire upstream dairy industry chain from breeding to feed to raw milk production, and has achieved a leading position in all business segments.

As of December 31, 2023, the Group operated 91 large-scale modern dairy farms, 15 feed mills, 15 forage grass plantation bases, 3 world-leading dairy cow key breeding bases and an online dairy farming industry chain platform "*Jumuc.com*", with a herd size of dairy cows of approximately 583,000 heads. For the year ended December 31, 2023, the Group's production of premium raw milk and specialty raw milk was approximately 3.02 million tons, with the specialty raw milk now including goat milk in addition to Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk, etc. During the Reporting Period, some of the Group's dairy goats have started lambing, which will further enrich the Group's supply matrix with specialty raw milk once production and operation are well underway. The Group produces nearly 1.185 million tons of concentrated feed products for dairy cows, beef cattle and sheep, dairy goats, camels, yaks and other livestock species. Through its online platform and 27 offline pick-up stores, the Group covers more than 5,000 types of ruminant farming products for various core business operations of dairy farms. The sales volume of the Group's breeding products, such as common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high quality dairy cows and beef cow amounted to 1,369,000 straws/units, of which the sales volume of embryos increased by 270.0% as compared with that in 2022, making us one of the dairy breeding enterprises in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

The Group will comprehensively enhance its technological value and aspire to lead China's dairy farming industry in terms of quality development, and is committed to manufacturing and offering high-quality products, technologies and services, as well as improving its comprehensive competitiveness, repaying customers and Shareholders with superior products and excellent performance for their support for the Group, and continuously contributing to the health, low-carbon and sustainable development of China's dairy industry.



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

### Non-Executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)  
(*resigned on July 28, 2023*)

Mr. Wu Xiang (武翔) (*Chairman*)  
(*appointed on July 28, 2023*)

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

### Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

## AUDIT COMMITTEE

Ms. Xie Xiaoyan (謝曉燕) (*Chairperson*)

Mr. Yao Feng (姚峰)

Mr. Qiu Zhongwei (邱中偉)

## REMUNERATION COMMITTEE

Mr. Shen Jianzhong (沈建忠) (*Chairman*)

Ms. Xie Xiaoyan (謝曉燕)

Mr. Xu Jun (徐軍)

## NOMINATION COMMITTEE

Mr. Yao Feng (姚峰) (*Chairman*)

Mr. Shen Jianzhong (沈建忠)

Mr. Xu, Zhan Kevin (許湛)

## COMPANY SECRETARY

Ms. Yu Wing Sze (余詠詩)



## Corporate Information

### AUTHORISED REPRESENTATIVES

Mr. Dong Jiping (董計平)

Ms. Yu Wing Sze (余詠詩)

### AUDITOR

Deloitte Touche Tohmatsu

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

### REGISTERED OFFICE

89 Nexus Way

Camana Bay, Grand Cayman

KY1-9009, Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 169, Hexi Road, Saihan District

Hohhot, Inner Mongolia

China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two

Times Square

1 Matheson Street, Causeway Bay

Hong Kong

### LEGAL ADVISORS

*As to Hong Kong law*

Skadden, Arps, Slate, Meagher & Flom and affiliates

*As to Cayman Islands law*

Ogier

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

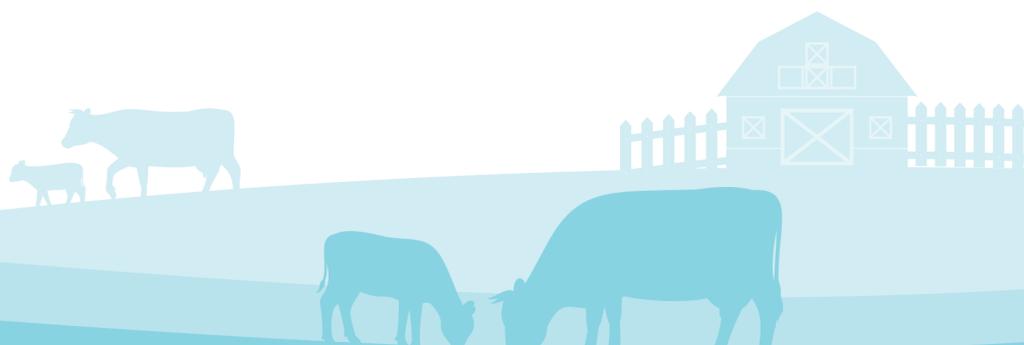
Ogier Global (Cayman) Limited

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands



# Corporate Information

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKER

Bank of Communications  
Inner Mongolia Region Branch  
Fengye Mansion, No. 110, Daxue Road West  
Hohhot, Inner Mongolia  
China

## STOCK CODE

9858

## COMPANY WEBSITE

<https://www.yourandairy.com/>



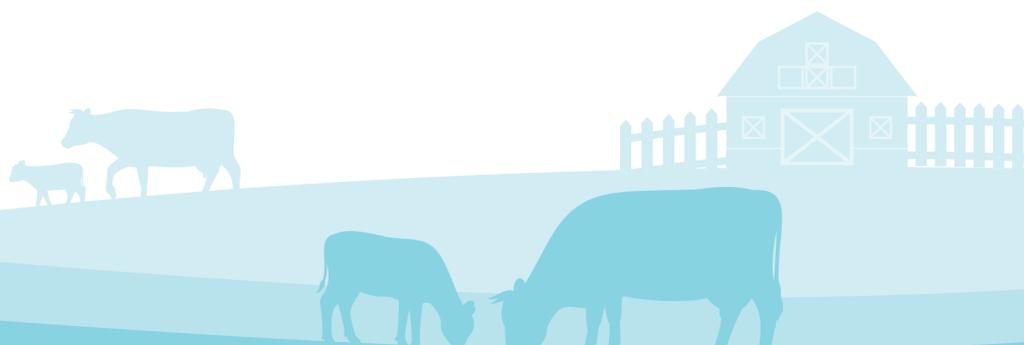
## Highlights

	Year ended December 31, As of December 31,		Year-on-year change (%)
	2023 RMB'000	2022 RMB'000	
Revenue	18,693,896	18,050,761	3.6
Gross profit	4,469,785	4,223,722	5.8
(Loss)/profit attributable to owners of the Company	(1,049,980)	414,771	N/A
Non-IFRSs measures:			
Cash EBITDA <sup>Note 1</sup>	3,851,418	3,591,036	7.3
Profit for the year (before biological assets fair value adjustments) <sup>Note 2</sup>	2,160,379	2,023,102	6.8
	<i>Tons</i>	<i>Tons</i>	
Raw milk production	3,020,182	2,377,156	27.1
	<i>Heads</i>	<i>Heads</i>	
Herd size of dairy cows	582,739	499,451	16.7
Including: Milkable cows	284,208	231,709	22.7
Calves and heifers	298,531	267,742	11.5
Proportion of milkable cows in the herd size of dairy cows <sup>Note 3</sup>	48.8%	46.4%	Increased by 2.4 percentage points

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

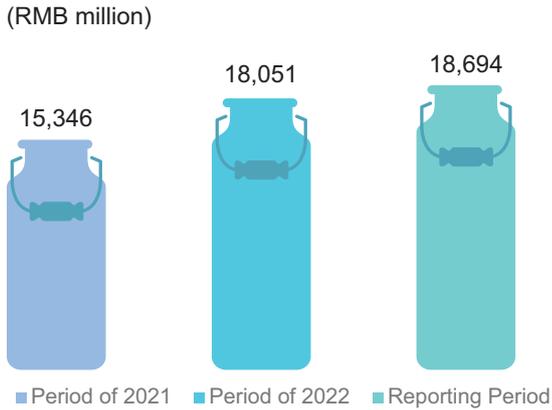
**Notes:**

1. It represents (loss)/profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) loss arising from changes in fair value less costs to sell of biological assets, (v) income tax expense, (vi) finance costs, (vii) interest income, and (viii) depreciation and amortization charged to profit or loss.
2. It represents (loss)/profit for the year excluding loss arising from changes in fair value less costs to sell of biological assets.
3. Reproduction in self-operated dairy farms and import of quality heifers in new dairy farms led to a lower proportion of milkable cows in the herd size of dairy cows.

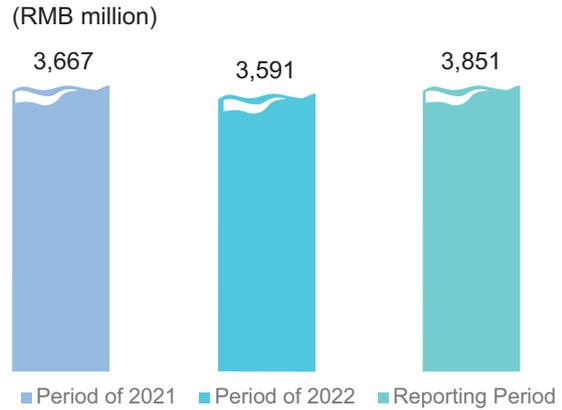


# Highlights

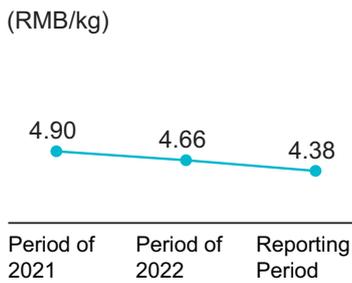
## Steady growth of revenue



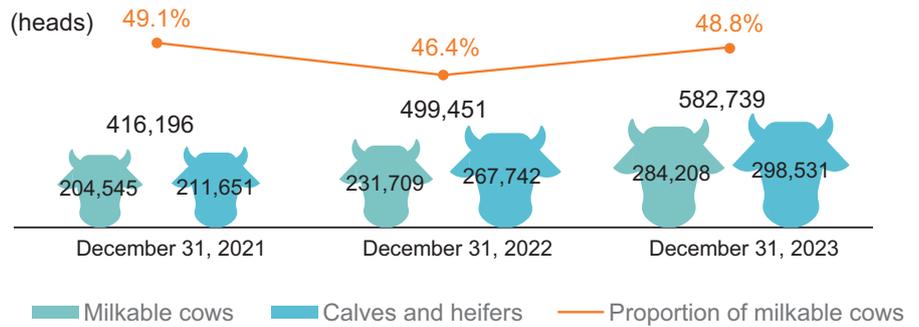
## Cash EBITDA remains steady with YOY growth during the Reporting Period



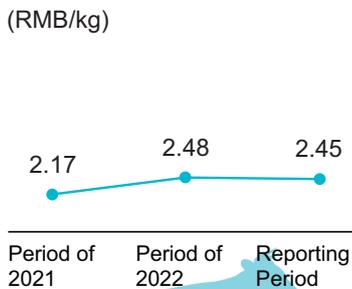
## Price drop in raw milk but not as much as the market



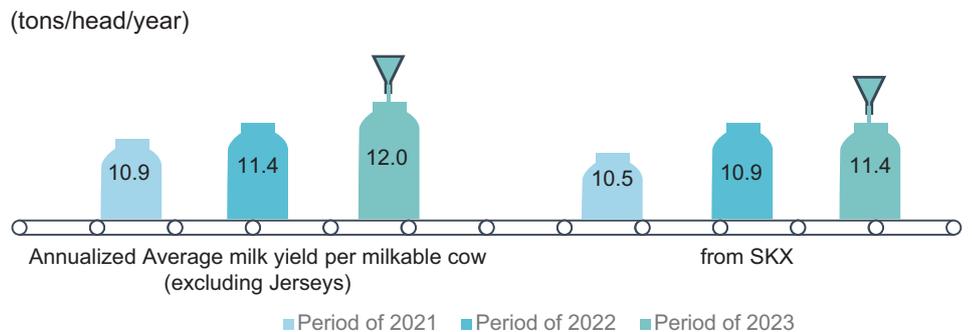
## Continued expansion and YOY optimization of herds



## Feed cost of raw milk declines YOY during the Reporting Period



## Annualized average milk yield per milkable cow hits new high



# Distribution Map of Production Bases



## 91 self-operated dairy farms

Covering 17 provinces, municipalities and autonomous regions with a herd size of approximately 583,000 dairy cows



## 15 feed mills

Mainly produces concentrated feed products for dairy cows, beef cattle and sheep, dairy goats, camels, yaks and other livestock species, with an output of nearly 1.185 million tons



## 15 forage grass plantation bases

Having built forage grass plantation bases centered on Ar Horqin Banner, the China's "Grass Capital", for producing premium forage grass



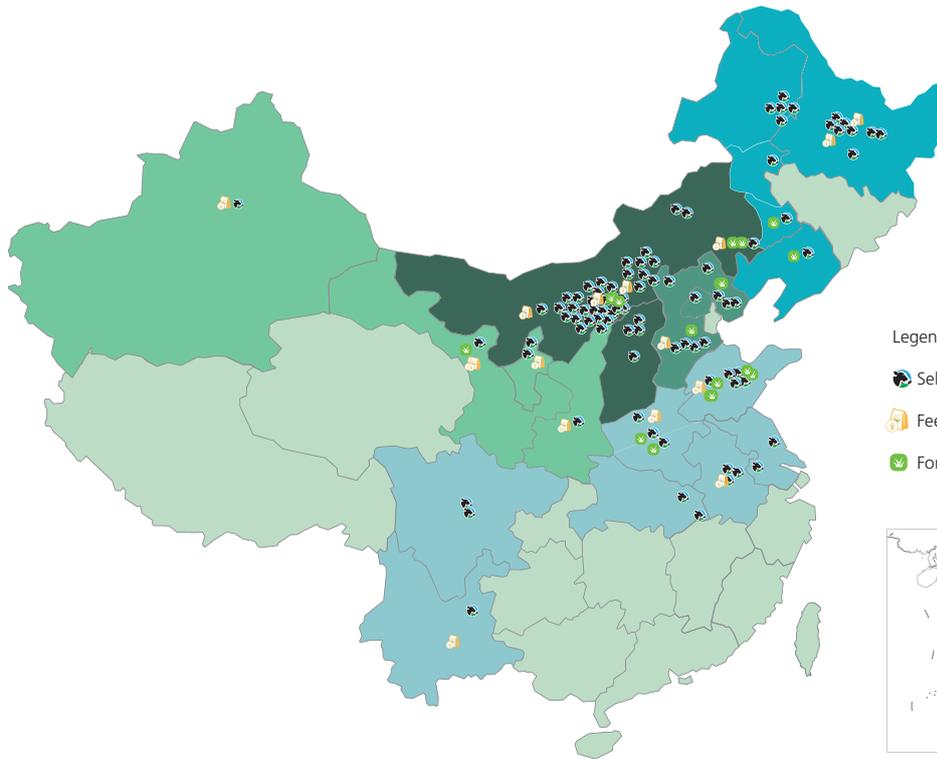
## 3 key breeding bases

The United States: Wisconsin  
China: Horinger and Qingshuihe



## 1 dairy farming industry chain platform and 27 offline pick-up stores

Industry chain financial center, warehousing and logistics center, cloud sharing center and global procurement center  
Provides more than 5,000 types of ruminant farming products in pick-up-stores, covering various core business operations of dairy farms

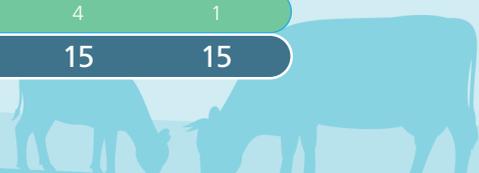


Legend :

- Self-operated dairy farms
- Feed mills
- Forage grass plantation bases



Production base distribution area	Quantity			
	Self-operated dairy farms	Self-operated dairy farms newly added in 2023	Feed mills	Forage grass plantation bases
Inner Mongolia Region	41	5	3	2
Northeast Region	17	5	3	4
North China Region	10	/	1	2
Central China Region	18	3	4	6
Northwest Region	5	1	4	1
<b>Total</b>	<b>91</b>	<b>14</b>	<b>15</b>	<b>15</b>



## President's Statement



**Yuan Jun**  
*President*

On behalf of the Board of the Company, I am pleased to present the performance review and outlook of the Group during the Reporting Period to all Shareholders.

During the Reporting Period, the dairy farming industry faced severe challenges due to the impact of the macro environment. These challenges included a decline in the selling price of raw milk, a decrease in the market price of beef cattle and heifers, and persistent high price for bulk raw materials. As a result, there was a substantial increase in the loss arising from changes in fair value less costs of sales of biological assets and a decline in the gross profit margin of the Group's raw milk business, leading to a loss attributable to the owners of the Company during the Reporting Period. Despite facing pressure and challenges, the Group has strengthened the leadership of its corporate culture, pooled together its efforts, continued to optimize the herd structure, enhanced the milk yield per milkable cow, the profitability of feed business and the quality of breeding products through technological empowerment and technological innovation, lowered costs and expenses, explored operating potentials, and promoted the high-quality development of the business. During the Reporting Period, the Group recorded a cash EBITDA of RMB3,851 million, representing a year-on-year increase of 7.3%, and a year-on-year increase in revenue of 3.6%. These figures clearly demonstrate the Group's steady and continuously improving operating fundamentals.

## President's Statement



In terms of the raw milk business, as of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China, with a herd size of dairy cows of 582,739 heads, of which 284,208 were milkable cows, accounting for 48.8% of the total number of cows, representing a year-on-year increase of 2.4 percentage points, and the Group's continuous efforts to optimize its herd structure have achieved significant results. During the Reporting Period, the Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.0 tons, representing a year-on-year increase of 5.3%. Among them, the annualized average milk yield per milkable cow of premium raw milk dairy farms (excluding SKX) was 12.3 tons. Wuwei Dairy Farm, a dairy farm under the Group with 10,000 heads of cattle, reported that its unit daily yield of the whole herd of milkable cows exceeded 49 kg, reaching a world-leading level and setting a new industry benchmark. In respect of the comprehensive ruminant farming solutions business, the feed business innovated and upgraded its existing products, enhanced its product and brand power, and continued to expand its service capabilities during the Reporting Period. It also took the lead in the industry by setting up county-level animal husbandry service centers at the end of 2023 to facilitate the connection of nodes in the chain, solving the industry pain point of the "last-mile" delivery, providing customers with comprehensive one-stop solutions and promoting the high-quality development of the industry. The gross profit margin of the feed business has increased steadily as compared with that of 2022. During the Reporting Period, approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and the percentage of alfalfa silage protein index of 22% reached over 35%, reaching the top level of alfalfa hay in the United States. In respect of ruminant farming products marketplace business, offline extension of the brand was achieved and the scope and influence of the business was further broadened by brand licensing of original ruminant farming products and providing authorization to customers. In terms of breeding business, it continued to improve the quality and quantity of its breeding products through continuous investment and the development and application of core technologies, resulting in a year-on-year increase of 21.7% in revenue, among which the sales volume of the sex-sorted embryos increased by 270.0% year-on-year.

In order to consolidate the cornerstone of high-quality development, the Group continued to make efforts in research and development ("R&D") management, product quality, supply chain management, digital management and sustainable development during the Reporting Period.

## President's Statement



In terms of R&D management, the Group had joined hands with strategic partners and scientific research institutions to benchmark advanced concepts and technologies for innovation and upgrading. During the Reporting Period, the Group extensively cooperated with Dr. Mike Hutjens, an internationally renowned dairy farming expert, Boehringer Ingelheim, a global leading biopharmaceutical company, Cargill, one of the world's four major grain traders, and renowned colleges and research institutions in the PRC, and launched strategic cooperation in various fields such as research on new technologies, development of new product, reduction of carbon emission, enhancement of animal health, and improvement of the quality and quantity of forage, breeding of high-quality dairy breeder and cultivation of top-tier talents. The strategic cooperation will bolster the quality and core competitiveness of the Group's products, while also reducing product costs and augmenting efficiency, thus injecting new momentum into the Group's development.

In terms of product quality management, the Group adhered to the mission of "Creating the Source Power for the Healthy Life of Human Beings with Quality", focusing on consolidating the foundation for quality management through three cores, namely quality culture, full-chain quality management and high-quality products and continuously adheres to "high quality, high standards and high requirements" for the production process to guarantee product quality. In January 2024, the website of the People's Government of the Inner Mongolia Autonomous Region announced the four enterprises that won the "2023 Autonomous Region Chairman's Quality Award". Among the crowd of participating enterprises, Inner Mongolia Youran, a subsidiary of the Company, emerged as the only upstream dairy enterprise in the Inner Mongolia Autonomous Region to be included on the list. During the Reporting Period, all of the Group's products passed the sampling inspection of quality conducted by national supervision and inspection authorities at all levels.

In terms of supply chain management, the Group applied a "full life cycle" supplier management system, actively explored new procurement models, and implemented various measures to achieve cost savings. During the Reporting Period, the Group's average feed cost of raw milk was RMB2.45/kg, representing a year-on-year decrease of 1.2%.

In terms of digital management, the Group adhered to the principle of "data-driven business innovation, technology-driven value-added business", and implemented a wide range of digital practices during the Reporting Period. It took the lead in the industry to build a "fully intelligent unmanned barn", which, using big data platform and algorithm model and intelligent AI equipment, gradually realized, among other things, automation in data collection, unmanned operation and remote management of dairy cattle breeding, as well as automation in enterprise scheduling, intelligent operation prediction, and flexibility in production management.

## President's Statement



In terms of sustainable development, the Group adhered to the green, ecological and sustainable development strategy, vigorously promoted the long-term mechanism on sustainable development to set an example to the industry. During the Reporting Period, the Group's sustainable development strategies and practices were widely recognized. The Group was the first Chinese dairy farming enterprise to receive a "BB" rating after being included in the MSCI ESG rating of Morgan Stanley Capital International for the first time. We achieved a 25% improvement in our score on the S&P Global Corporate Sustainability Assessment (CSA) Questionnaire as compared with the previous year, and the score was higher than the industry average of approximately 95.7%, and ranked us in the top 15% of our industry peers that had completed assessment as of 2023.

Going forward, the Group will continue to adhere to the established strategy, implement the six core strategic initiatives, take innovation as the driving force, empower business through digitalization and lean management, fully leverage the strengths of our platform, whole industry chain and talents, adhere to green sustainable development, and build core competitiveness. Besides, the Group will improve the efficiency of operation and management, and expand revenue and profit margins through cost reduction and efficiency enhancement. The Group will effectively deliver the following products and services: a forage grass business that produces high-quality, high-yield and high-conversion rate forage grass; a breeding business that breeds superior breeding cattle and produces high-quality, low-cost frozen semen and embryos; a feed business that produces nutritionally-balanced feeds with notable effectiveness and cost advantage; and a raw milk business that produces high-quality, low-cost and highly functional raw milk. The Group will continue to consolidate and expand its long-term advantages of "the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout and high-efficiency operation" to promote the sustainable and high-quality development of the Group and to create value for customers, Shareholders, employees and the society, thus contributing to the revitalization of China's dairy industry.

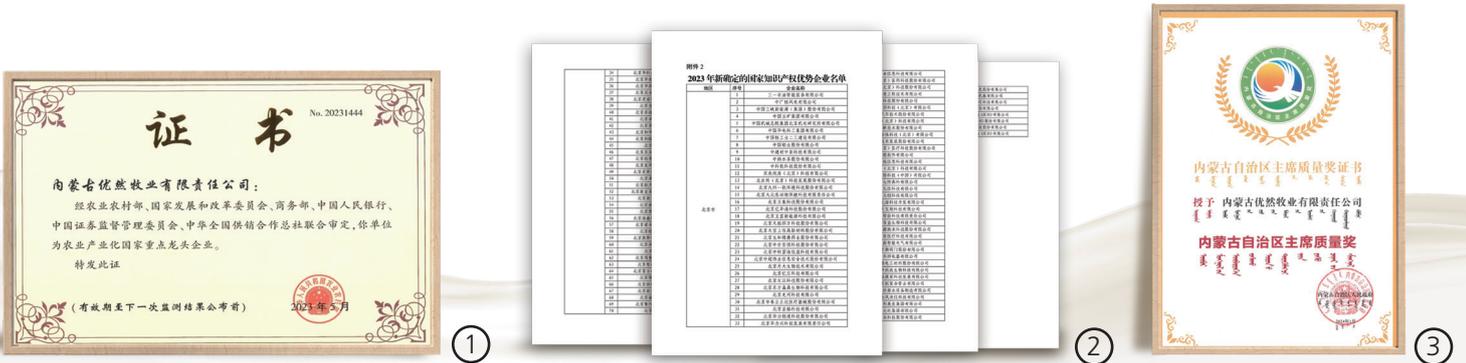
Finally, on behalf of the Board, I would like to express our gratitude to the Shareholders who have always trusted and supported the Group. In a complicated and volatile market environment, the trust and recognition of Shareholders is our motivation to move forward, and I would like to sincerely thank the Board, the management team and all staff for their unwavering dedication in the past year.

**Yuan Jun**

*President*

March 27, 2024

# Awards and Recognition



Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
1 Inner Mongolia Youran Dairy Co., Ltd.	Key National Leading Enterprise for Agricultural Industrialization May 2023	The Ministry of Agriculture and Rural Affairs of the People's Republic of China
2 Inner Mongolia Youran Dairy Co., Ltd.	National Intellectual Property Advantageous Enterprise November 2023	China National Intellectual Property Administration
3 Inner Mongolia Youran Dairy Co., Ltd.	Inner Mongolia Autonomous Region Chairman's Quality Award January 2024	People's Government of the Inner Mongolia Autonomous Region



Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
4 Inner Mongolia Youran Dairy Co., Ltd.	2023 China Agricultural Enterprises Top 500 (ranked 60th) January 2024	Farmers' Daily News Agency
5 Inner Mongolia Youran Dairy Co., Ltd. The Standardization and Key Technologies of Intelligent Farms in Dairy Industry Project	First prize of the Autonomous Region Award for Progress in Science and Technology September 2023	People's Government of Inner Mongolia Autonomous Region
6 Inner Mongolia Youran Dairy Co., Ltd.	Top 100 Private Enterprises in Inner Mongolia (ranked 11th) September 2023	Inner Mongolia Autonomous Region Federation of Industry and Commerce Inner Mongolia Autonomous Region Development and Reform Commission

## Awards and Recognition



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Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
7 Wulanchabu Muquan Yuanxing Feed Co. Ltd.	Inner Mongolia Autonomous Region "Green Factory" April 2023	Department of Industry and Information Technology of Inner Mongolia Autonomous Region
8 Inner Mongolia Youran Dairy Co., Ltd. Test Center	Hohhot City "May 1st" Women's Model Post April 2023	Hohhot City Federation of Trade Unions



⑨



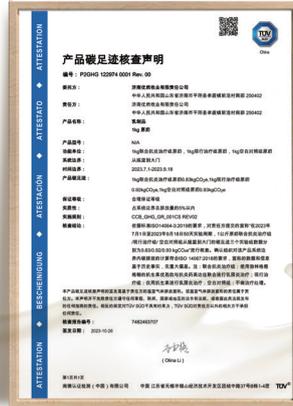
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Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
9 Inner Mongolia Youran Dairy Co., Ltd.	Award of Outstanding Contribution to Industrial Development for 2022 in Tumed Left Banner February 2023	Tumed Left Banner CPC Committee, People's Government of Tumed Left Banner
10 Inner Mongolia Youran Dairy Co., Ltd.	2023 Animal Health Science and Technology Innovation Award June 2023	China Animal Health and Food Safety Innovation Alliance

# Awards and Recognition



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13

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
11 Inner Mongolia Youran Dairy Co., Ltd. Chilechuan Ecological Intelligent Dairy Farm	Dairy Cow Welfare Farming Demonstration Farm August 2023	China Animal Health and Food Safety Innovation Alliance
12 Inner Mongolia Youran Dairy Co., Ltd.	China First Animal Health Carbon Footprint Certification October 2023	TUV SUD Certification and Testing (China) Co., Ltd
13 China Youran Dairy Group Limited	Jin'ge Award Ceremony for Listed Companies Listed Company – 2023 ESG Pioneer Award December 2023	Gelonghui



14



15

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
14 Inner Mongolia Youran Dairy Co., Ltd. Wuwei Dairy Farm	Farm with the Highest Daily Milk Yield per Dairy Cow in China March 2023	China Insights Industry Consultancy Limited
15 Inner Mongolia Muquan Yuanxing Feed Co., Ltd.	Model Enterprise by Customer Value September 2023	National Feed Engineering Technology Research Center, Feedtrade.com.cn



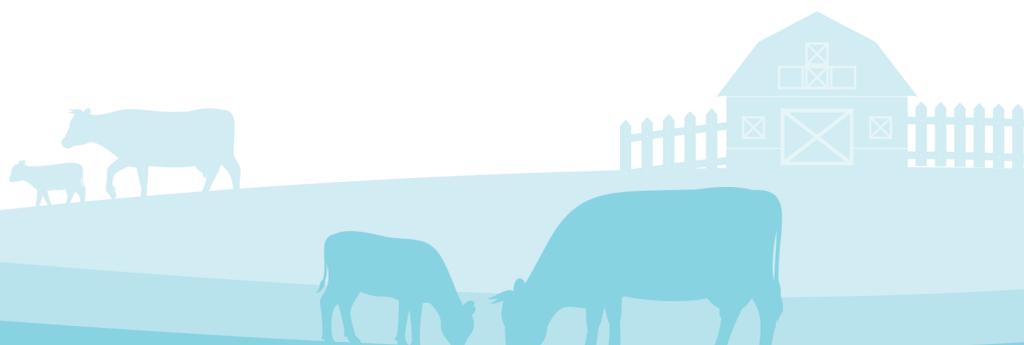
# Management Discussion and Analysis

## INDUSTRY REVIEW

During the Reporting Period, dairy consumption slackened slightly, and the dairy farming industry faced severe challenges, such as falling milk prices and rising feed cost, due to the impact of the economic situation. According to statistics presented by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "Ministry of Agriculture and Rural Affairs"), during the Reporting Period, the average price of raw milk in major provinces of China's dairy industry was RMB3.84/kg, representing a decrease of approximately 7.7% from RMB4.16/kg in the Period of 2022, and the prices of soybean meal and corn in China remained high, with the average prices decreasing slightly as compared with the Period of 2022. According to statistics from China Customs, the price of imported alfalfa hay in China fell rapidly during the Reporting Period, but remained at a historically high level. In addition, the demands for ruminant concentrated feed and forage grass were also suppressed under the impact of tightened margins in the dairy farming industry. However, with the increase in large-scale dairy farms, there was still strong demand for high-quality breeding products in China. During the Reporting Period, China imported 13.231 million straws of frozen bovine semen, representing an increase of 7.2% as compared with the Period of 2022, according to the statistics provided by China Customs.

While supporting the production of dairy products, the Chinese government actively guides dairy product consumption. By optimizing the industrial structure and enhancing the construction of the entire industry chain, it continuously improves the development quality and competitiveness of domestic dairy products. The government has issued a series of policies to support and steer the development of dairy product consumption, the Chinese dairy farming industry, the modern forage industry and independent breeding capacity. The Chinese State Council issued the "14th Five-Year Plan for Promoting Agricultural and Rural Modernization", the "Opinions of the CPC Central Committee and the State Council on Learning from and Applying the Experience of the 'Green Rural Revival Program' to Vigorously and Effectively Promote the All-round Revitalization of Rural Areas", and other policies, which are directives calling for strengthening the construction of milk source bases, optimizing the structure of dairy products; enhancing standards for liquid milk, standardizing reconstituted milk labeling, and promoting fresh milk consumption. Major dairy provinces in China continuously fortified the regional raw milk supply capacity by increasing financial subsidies, innovating platform construction, and developing an integrated industrial system, so as to drive the leapfrog development of the dairy industry. Other provinces also issued supportive policies regarding market order and regional layout to steer the dairy industry through the challenges it faced in the short term.

With the deployment of national strategies, such as "Expanding Domestic Demand" and "Healthy China", growing health awareness after the pandemic and continuous improvement in the quality of dairy products of domestic brands, the potential of China's dairy products consumption will be gradually released, and the prospects for the consumption market are broad. Moreover, with the impact of tightened national land policy, increased environmental protection requirements, rising feed cost and other factors, more industry barriers of dairy farming are set up. Meanwhile, with the large-scale dairy farming industry's demand for technology, economy and efficiency optimization and the support and guidance of national policies, large-scale dairy farming technology groups that operate in an intelligent and digital way, build a forage-livestock matching system and have capabilities in feed R&D, as well as leading and independent herd genetic improvement and sex-sorting technologies and embryo technology will usher in more development opportunities.



# Management Discussion and Analysis

## BUSINESS REVIEW

As the largest provider of comprehensive products and services along the upstream dairy industry chain in China, the Group was principally engaged in providing premium raw milk and specialty raw milk to large-scale dairy manufacturers and offering comprehensive ruminant farming solutions to dairy farms during the Reporting Period.

During the Reporting Period, the dairy farming industry in China faced the severe situation of milk price decline and high cost of bulk raw materials. The Group actively responded to challenges in the industry, seized opportunities, embraced certainties in high-quality development and achieved breakthroughs through technological empowerment. By leveraging its advantages in the scale as a leading enterprise and the business model covering the entire upstream dairy value chain, the Group continued to optimize products and product structure in an innovative way, lower costs, make strategic plans to expand business scale and coverage, promote the implementation of the TPM system and the practice of digital management to further enhance operational efficiency, establishing a new model for industrial ecological development of county-level animal husbandry service centers, vigorously explore the development of the online platform *Jumuc.com* and offline pick-up store channels, strengthen risk control, actively screen high-quality customers and strengthen the “product + service” strategy. As a result, the Group’s revenue increased by 3.6% from RMB18,051 million in the Period of 2022 to RMB18,694 million for the Reporting Period.

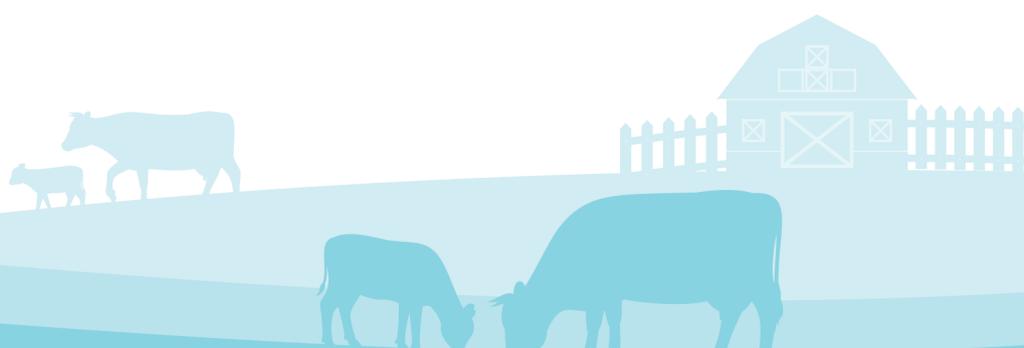
The following table sets forth the detailed information of the Group’s two business segments, i.e. raw milk and comprehensive ruminant farming solutions:

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Raw milk	Raw milk business	The Group provides premium raw milk and specialty raw milk to large-scale dairy manufacturers. Specialty raw milk mainly includes Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk etc.	As of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China, with a herd size of approximately 583,000 heads of dairy cows. During the Reporting Period, the Group’s raw milk production was approximately 3,020,000 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.0 tons, representing an increase of 5.3% from the Period of 2022. Among them, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.3 tons. During the Reporting Period, some of the dairy goats at the dairy goat farms that the Group strategically built started to lamb, such that once the dairy goat farms are in full production and operation, our specialty raw milk offerings will be further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB12.9 billion, representing an increase of 18.9% from the Period of 2022 and accounted for approximately 69.0% of the Group’s total revenue during the Reporting Period.
Comprehensive ruminant farming solutions	Feed business	The Group provides nutrient concentrated feed and forage grass for dairy farms that meet the demands of ruminants for their growth and production, and offers ancillary ruminant farming support services, such as ruminant nutrition, breeding techniques, and ruminant healthcare for free.	As of December 31, 2023, the Group operated 15 feed mills and 15 forage grass plantation bases in China. During the Reporting Period, the Group’s production of concentrated feed was nearly 1,185,000 tons; approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and alfalfa silage with 22% protein index accounting for over 35%, achieving the highest quality level of American alfalfa hay.	During the Reporting Period, revenue from the Group’s comprehensive ruminant farming solutions was approximately RMB5.79 billion and accounted for approximately 31.0% of the Group’s total revenue during the Reporting Period.



# Management Discussion and Analysis

Business Segments	Business Lines	Business Introduction	Operations	Revenue
	Ruminant farming products marketplace business	The Group provides ruminant farming products purchased from selected suppliers, such as veterinary drugs, animal husbandry equipment and other items for dairy farms, through its online retailer platform, <i>Jumuc.com</i> , and offline ruminant farming products marketplace and offers ancillary ruminant farming support services to diversify its product offerings and further address its customers' business needs.	During the Reporting Period, the Group provided over 5,000 ruminant farming products through its online platform, <i>Jumuc.com</i> , and 27 offline pick-up stores to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cows from China and overseas through its subsidiary, SKX.	As of December 31, 2023, the Group operated 3 key breeding bases. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,368,707 straws/units, among which the sales volume of sex-sorted embryos increased 270.0% as compared with that of the Period of 2022, making us one of the dairy breeding companies in China that pioneered the scaled production and commercial application of high-yield dairy cow sex-sorted embryos.  During the Reporting Period, the construction of key breeding bases for beef cattle with the highest standard in the country has commenced.	



# Management Discussion and Analysis

## I. PERFORMANCE OF EACH BUSINESS SEGMENT AND OPERATION REVIEW

### (I) Raw Milk Business

The Group has established long-term and stable relationships with large dairy manufacturers in the PRC. Benefiting from the steady growth of the Chinese economy, large dairy manufacturers experienced solid growth and the integrated development of the entire dairy industry chain continued to benefit the sustainable development of the Group's business. During the Reporting Period, the major customers of the Group's raw milk business included Yili Group, Bright Dairy, and Junlebao Dairy, etc.

The following table sets forth certain key operating data with respect to the Group's raw milk business for the periods and as of the dates indicated:

	For the year ended/ As of December 31, 2023	2022	Year-on-year change (%)
Number of self-operated dairy farms	91	78	Increased by 13 farms <sup>Note 1</sup>
Number of dairy cows (in heads)	582,739	499,451	16.7
Raw milk production volume (in tons)	3,020,182	2,377,156	27.1
Raw milk sales volume (in tons)	2,945,840	2,328,512	26.5
Average price of raw milk (RMB/kg)	4.38	4.66	(6.0)
Annualized average milk yield per milkable cow (excluding Jerseys <sup>Note 2</sup> <sup>Note 3</sup> (in tons)	12.0	11.4	5.3
Including: SKX (in tons)	11.4	10.9	4.6

*Notes:*

1. During the Reporting Period, the Group added 14 new dairy farms in operation and eliminated 1 small dairy farm.
2. Jerseys are a breed of small dark brown dairy cow originating from the Jersey Islands, the English Channel, with a high milk fat and milk protein content and lower milk yield per dairy cow as compared to Holsteins.
3. For the year ended December 31, 2023, the annualized average milk yield per milkable cow is calculated by dividing the total raw milk production volume by the average number of milkable cows during that period.



# Management Discussion and Analysis

## Farm overview and herd structure

As of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China. The number of dairy cows of the Group increased by 16.7% from 499,451 as of December 31, 2022 to 582,739 as of December 31, 2023, including 284,208 milkable cows, accounting for 48.8% of the total number of the Group's dairy cows, increasing by 2.4 percentage points as compared with 46.4% as of December 31, 2022, mainly because the new dairy farms strategically built by the Group were fully put into operation earlier, leading to an increase in the number of milkable cows. The Group's optimized herd structure will provide strong support to the continuous improvement of production volume of raw milk and the sustainable herd expansion in the future.

During the Reporting Period, the Group added 14 new dairy farms in operation, among which, 3 are specialty dairy farms that the Group strategically built based on market demands to produce organic milk and Jersey milk, 3 are located in Shandong Province and Anhui Province, which are provinces in South-central China with a large population, strong economy, great consumption potential, scarce land resources and a long-term lack of raw milk, and the rest are all located in the Inner Mongolia Autonomous Region, Shanxi Province, Heilongjiang Province and the Xinjiang Uyghur Autonomous Region, which are provinces in the golden milk source belt. Other dairy farms under construction will be successively put into production and operation in 2024 and onwards. The Group also has a dairy goat milk business layout, with a planned herd size of 50,000 heads for its new dairy goat milk farm. The dairy goat milk farm is currently the biggest dairy goat milk farm in China and is about to be a world-class stud ram farm, which will further enrich the specialty raw milk offerings of the Group. Some of the pure Saanen dairy goats of the dairy goat milk farm imported from New Zealand and Australia started to lamb.

## Dairy farms operation management and raw milk production volume

The Group's raw milk business, empowered by its technological strategic transformation, the effective promotion of lean management and the efficient synergy of its various businesses, has insisted on high yield and longevity, precise feeding and utilizing the advantages of breeding technology, resulting in a significant improvement in the operational efficiency of dairy farms. During the Reporting Period, the Group's raw milk production amounted to 3,020,182 tons, representing an increase of 27.1% from 2,377,156 tons for the Period of 2022, with an annualized average milk yield per milkable cow (excluding Jerseys) of 12.0 tons, representing an increase of 5.3% from 11.4 tons for the Period of 2022, among which, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.3 tons. Wuwei Dairy Farm, a dairy farm under the Group with 10,000 heads of cows, reported that its unit daily yield of the whole herd of milkable cows exceeded 49 kg, reaching a world-leading level and setting a new industry benchmark.

The Group's dairy farms operations management initiatives are described below:

- i. Effective implementation of lean production management. The Group continues to apply the TPM system, practice lean production management extensively, strictly implement SOP feeding management process standards and enhance standardized operation of employees. The Group also steadily enhanced cow welfare and improve cow health and quality to realize cost reduction and efficiency enhancement. During the Reporting Period, focusing on the ongoing operation and development of dairy farms and the management of the whole life cycle of dairy cows, the Group continuously improved its dairy farms and enhanced its organizational and operational capabilities by applying the high-level tools, methods and expertise of TPM. Dayang Ranch successfully passed the health audit by the Japan Institute of Plant Maintenance (JIPM) for the Award for Excellence in Consistent TPM Commitment with a high average score of 85.24.
- ii. Effective synergies across businesses. The Group fully utilizes its own ruminant feed research results and advanced breeding techniques. Capitalizing on its own R&D team, dairy cow nutrition database and production bases, etc., the Group achieved precise nutrition and efficient milk production by dairy cows and stable supply of high-quality concentrated feed and forage grass, and increased the proportion of high-yield cow herd, thereby safeguarding the health of cows and ensuring high yield. During the Reporting Period, the Group improved the unit production of dairy cows, milk quality indicators and feed conversion efficiency, reduced operating costs and incidents of cow diseases, mitigated various kinds of stress reactions, and reduced methane emissions from dairy cow intestines through multiple rounds of evaluation and improvement of the implementation of precise nutritional formulas, optimization of formulas, usage of self-developed feed products, customization of premixes and functional products, and R&D and application of core technologies and products for carbon reduction in ruminants. The Group also improved the production performance of its cow herd by implementing a high-fertility cycle program.

## Management Discussion and Analysis

- iii. Empowering business with technology. The Group continues to practice technology empowered businesses, enhancing the digitalized accurate empowerment from operational decision-making to on-site operations, and apply its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, to achieve accurate monitoring and healthcare for dairy cows. The Group continues to foster innovation in the development and application of Internet of Things (IoT) smart facilities in the dairy farming industry, comprehensively and continuously improve dairy cows welfare by applying the IoT to realize an intelligently monitored living space and production environment for dairy cows. The Group continuously established core herds with embryo technology, sex-sorting technologies, dairy cow cloning technology, genetic testing and other advanced breeding technologies. During the Reporting Period, the Group improved the operational efficiency of dairy farms and reduced operating costs by coordinating multiple systems. We upgraded the sprinkler system in cowsheds of certain dairy farms to an AI visual precision sprinkler system, which sprinkles water when there are cows present and stops when there are no cows detected, thereby maximizing water conservation, reducing heat stress in cows in summer, and improving the comfort of dairy cows. The Group conducted genetic testing on dairy cows in its self-operated dairy farms, and formulated corresponding breeding strategies based on the results of the genome test, which improved the profitability of the dairy farms. The Group conducted embryo transfer on approximately 12,000 dairy cows, which effectively improved the overall genetic level of the Group’s dairy cows, fully tapped the reproductive capacity of quality dairy cows, and greatly increased the economic benefits.
- iv. Strategically deploying new dairy farms and dairy goat farms. The Group’s existing and new dairy farms strategically planned in advance are releasing their production capacity. During the Reporting Period, 14 dairy farms in operation were newly added and some dairy goats started to lamb. After full production and operation of the dairy goat farms, the specialty raw milk offerings will be further enriched.



## Management Discussion and Analysis

- v. Practicing low-carbon and environmental protection strategy. The Group proactively implements low-carbon and environmental protection strategy in dairy farms operation, actively introduces clean energy, accelerates the transformation and upgrading of energy structure, and extensively carries out energy saving and emission reduction projects. During the Reporting Period, 2 photovoltaic dairy farms had been connected to the grid and were generating electricity, 2 photovoltaic dairy farms were ready to be connected to the grid, and 4 photovoltaic dairy farms were newly contracted, which makes a total of 8 photovoltaic farm projects launched; 3 dairy farms replaced their fuel coal and biomass boilers with air source heat pumps and cumulatively a total of 53 dairy farms have completed such replacement; 19 dairy farms conducted waste heat recovery transformation and cumulatively a total of 52 dairy farms have completed such transformation. All old dairy farms have completed the waste heat recovery transformation, which has improved usage efficiency. The Group introduced new energy vehicles such as electric loaders and electric pushers, and promoted their application.

### ▼ Intelligent farm management system – the “Intelligent Farm Cloud”



### ▼ Photovoltaic dairy farms



### ▼ Automatic feeding robots



### ▼ Fully automatic milking robots



## Management Discussion and Analysis

### Raw milk R&D and study on dairy farming technology

The Group, based on its own dairy nutrition database, has established a leading domestic R&D platform focusing on dairy cow nutrition and health. By introducing quality breeds through genetic screening of dairy cows, the Group conducted continuous research on the long-term nutritional metabolism, farming techniques and professional nutritional formula of dairy cows, and carried out feeding trials on its own farms to continuously improve the basic nutritional composition of raw milk such as milk protein and milk fat, and develop specialty raw milk to meet consumers' requirements for quality, taste and benefits. During the Reporting Period, the Group continued to expand its production capacity of A2 milk, Jersey milk and organic milk. Once the dairy goat farms that the Group strategically built are in full production and operation, our specialty raw milk offering will be further enriched. In addition, the Group used nutritional control measures such as energy-nitrogen balance technology, fatty acid application technology, and forage grass quality improvement technology to comprehensively improve the protein content in organic milk.

The Group actively facilitated the technical research on carbon emission reduction in dairy farming. During the Reporting Period, the Group jointly advanced the study on the Non-carbon Dioxide Greenhouse Gas Emission Reduction Strategy for Agricultural Production and Technology Cooperation R&D and Application (《農業生產非二氧化碳溫室氣體減排戰略及技術合作研發與應用》) and other projects together with Chinese Academy of Agricultural Sciences and other scientific research institutions and universities. The project mainly uses the Group's dairy farms as the experimental bases to carry out R&D experiments on low-carbon and emission-reduction environmental protection facilities for the treatment of livestock and poultry manure, so as to promote the continuous development of low-carbon and emission-reduction in the dairy farming industry.

#### ▼ Jerseys



#### ▼ Dairy goats



# Management Discussion and Analysis

## (II) Comprehensive Ruminant Farming Solutions

The Group deeply believes that high-quality grass, high-quality feed and quality breeding products are fundamental guarantees to the health and high milk yield of dairy cows. Benefiting from the continuous expansion of China's herd farming scale, the improvement of large-scale dairy farming and farming techniques, the Group's advantages in R&D capability, technical service capability, quality grass selection and cultivation technologies and advanced independent cow genetic improvement and sex-sorting technologies are increasingly highlighted.

### The "product + service" operation model to upgrade service strength

The Group provides high-quality feed covering the whole life cycle of ruminants, focuses on developing high-tech products such as premixes and functional feed, cultivates ruminant farming products of its own brand, creates breeding products with core competitiveness, continuously improves the quality and conversion rate of grass products, and fully converges with international standards in terms of technology R&D, product innovation capabilities and technical service standards, so as to continuously improve the Group's product and service strength and brand power.

Leveraging its strategies of the dual-talent systems of dairy farming and farming solutions, core technology accumulation of its in-house technical team, and its own long-term and large-scale farming advantages in different regions with different scales, the Group established a senior expert service team and pooled approximately 200 highly professional talents on technical services and with experience in dairy farm management to provide customers with various services such as comprehensive diagnosis, tailored solutions, breed selection and matching, accurate nutrition, effective breeding and technology escrow. These, together with the online services of the Group's online platform *Jumuc.com*, provide customers with comprehensive one-stop solutions.

During the Reporting Period, the Group established a cost reduction and efficiency enhancement project experiment team, and organized service teams to tailor cost reduction and efficiency enhancement service strategies for dairy farming customers. It joined forces with Agricultural Modeling and Training Systems, LLC (AMTS) of the United States and China Agricultural University to successfully introduce state-of-the-art dairy cow, beef cattle and sheep feed formula design applications, and equipped them with advanced and convenient diet testing tools to design and provide dairy cow and beef cattle and sheep nutrition feeding programs for customers more quickly, accurately and scientifically.

### Concentrated feed business

The Group currently owns nine brands and offers a variety of concentrated feed under them, which are customized for different ruminants, including dairy cows, beef cattle, sheep, dairy goats, camel and yak. During the Reporting Period, with declining profits in the dairy farming industry, the Group's feed business timely adjusted its strategies and provided customers with comprehensive one-stop solutions by developing new products, upgrading existing products, enhancing technical service capabilities, optimizing marketing strategies, and constructing a new model for the ecological development of county-level animal husbandry service centres, so as to help customers enhance profitability. During the Reporting Period, the Group strengthened risk management and control and focused on high-quality customers. The sales volume of concentrated feed was 924,415 tons, representing a decrease of 15.4% as compared with 1,092,738 tons in the Period of 2022.

## Management Discussion and Analysis

### *Overview and distribution of concentrated feed mills*

The Group processes and produces concentrated feed through “self-construction dairy farms and cooperation with third parties”. As of December 31, 2023, the Group operated 15 feed mills in China, with a feed production capacity of 1.82 million tons. During the Reporting Period, the Group actively adjusted the production capacity of its feed mills based on market demands. The output of concentrated feed was 1,184,630 tons, representing a decrease of 13.7% compared with 1,372,507 tons in the Period of 2022. The Group’s newly built Hebei Feed Mill has been put into production and operation. The newly built feed mills are all equipped with state-of-the-art equipment and facilities as well as advanced technologies, laying a solid foundation for the steady improvement of the future efficiency of the Group. At the same time, the production capacity of the premix production plant in Ulaanchabu, which was put into operation in 2021, was further expanded. The production plant adopts the process equipment standard for infant milk powder for the production of premixes, with a product accuracy of up to 0.1%, providing a solution for the industry’s precise nutritional needs in the era of high yield productivity.

#### ▼ Premix production plant



#### ▼ Feed mills



## Management Discussion and Analysis

### *Concentrated feed brand building and channel expansion to upgrade brand power*

In respect of feed brand upgrading, the Group entered into a strategic cooperation agreement with Dr. Mike Hutjens, a famous dairy cow nutrient expert of the United States, an internationally prestigious dairy cow farming specialist and an editorial board member of the Nutrient Requirements of Dairy Cow, enabling the Group to fully integrate with international standards in terms of feed product technological R&D, product innovation capability and technical service level improvement, thereby advancing the Group's feed business to a world-leading level.

During the Reporting Period, the Group assisted the research team of Dr. Bu Dengpan of the Institute of Animal Science of the Chinese Academy of Agricultural Sciences (CAAS) in the translation and promotion of the Nutrient Requirements of Dairy Cow, contributing to the precise and balanced nutrition of dairy cows in China. The Group constantly increased exposure of the brand through outdoor advertisements, online marketing, online live broadcasting, and participation in the "China's Best Feed" award selection of the authoritative media in the industry. The Group formulated a brand upgrade plan and completed the upgrade of the packaging of the whole series of products to upgrade its brand image in an all-round way, so as to continuously expand the brand market influence of the Group's feed business and gradually improve the market share.

In terms of channel expansion of the feed business, on one hand, the Group has launched a series of marketing activities such as "Dairy Cow Health Protection, Calf Intestinal Health Protection, and Heat Stress Prevention and Control" through the online platform *Jumuc.com* during the Reporting Period, integrating market opportunities and taking into account the key points of the staged operations and the seasonal nutritional needs of the dairy farms. Through the "War Map" sales management initiative, the Group explored new markets and channels, effectively promoting the business development in markets such as Northwest and Southwest China. On the other hand, the Group continuously innovated and made breakthroughs, and took the lead in the industry in establishing a county-level animal husbandry service center at the end of 2023 to facilitate the connection of nodes in the chain, solving the industry pain point of the "last-mile" delivery, and promoting the high-quality development of the industry.

### ▼ Major brands of concentrated feed



### *Concentrated feed product development and technology research to promote product excellence*

The Group continues to innovate and upgrade a wide range of concentrated feed products under its existing eight feed brands, promote the strategic cooperation with Dr. Mike Hutjens, an internationally renowned dairy farming expert, and leverage the most advanced dairy nutrition technology in the United States to create world-class high-yield, longevity feed products. In addition, in order to meet customer needs, the Group has developed and launched the yak feed brand "Mu Jinli (牧金利)", which has effectively expanded the market and provided strong product support for the continued development of the Tibet, Qinghai, Sichuan, and Yunnan markets.

## Management Discussion and Analysis

In the field of dairy feed, the Group optimizes the formula of main products of calves feed, high-yield lactation feed, and peripartum feed to improve their performance through the optimization of energy, protein, level of trace minerals and amino acid and others through the application of the Group's self-developed rumen-protected patented technology, low-calcium anionic salt precision nutrition technology, and amino acid balance technology and leveraging the high-standard premix production process and high-quality raw material procurement advantages, and provides precise nutrition, health care and supporting technical services covering the whole life cycle of dairy cows to enhance the high productivity and longevity of dairy cows while reducing costs and increasing efficiency for customers. During the Reporting Period, newly launched products such as the dairy cow lactation period concentrate supplement "Airuite 127M", the dairy cow perinatal period concentrate supplement "Kangshunbao 13", and the calf concentrate supplement "Dute 180H" can effectively solve the pain points in dairy farming at key growth stages of dairy cows and help dairy farms reduce costs and increase efficiency.

In the area of beef cattle and sheep, dairy goat, camel and yak feed, the Group actively explores solutions for reducing costs and increasing efficiency for dairy farms, strengthens the combination of vitamins and trace elements, and at the same time adds rumen-regulating active substances to launch premix products aimed at improving the weight gaining performance of beef cattle and sheep, functional feed products that improve the acidity of dairy goat milk, and "camel breed" and "yak breed" feed products. During the Reporting Period, formula of beef cattle and sheep fattening products were upgraded to reduce costs and enhance fattening effect at the same time, thereby further enhancing the price-performance ratio of products and boosting sales volume. In addition, the Group launched a product for breeding cows that successfully addressed the issue of pica in breeding cows for the first time. The concentrate supplement product "6718" for breeding cows of beef cattle won the "Outstanding Award for Ruminant Feed Brand" of China's Best Feed. A new anti-heat stress product for dairy goats was launched to enhance the feed intake of dairy goats during heat stress, thereby realizing a smooth transition. The "camel breed" and "yak breed" feed products developed and launched by the Group effectively expanded the product market.

### *Extensively practicing lean production management to improve operational capabilities*

The Group's feed business continued to apply the TPM system and extensively implemented lean management to continuously improve its operational capabilities. During the Reporting Period, the Group focused on promoting the feed production line to achieve zero-fault operation in 6 months, maintaining the optimal maintenance cost, comprehensively and deeply promoting supply chain improvement, reducing the total product cost, and improving the product cost competitiveness. The Sales Operations pillar (SO) was deeply implemented, and the lean method was extended to customers, establishing a good reputation for lean service. Through self-guided tutoring, the Group's feed mill in Linhe City, Inner Mongolia Autonomous Region, was successfully certified by the Japan Institute of Plant Maintenance (JIPM), an authoritative review organization, and passed the final review of the TPM Excellence Award during the Reporting Period.



## Management Discussion and Analysis

### Forage grass business

The Group laid out premium forage grass plantation bases centred on Ar Horqin Banner, the China's "Grass Capital". Based on the synergies between the livestock breeding and forage grass business segments, the Group achieved long-term sustainable business development through the model of integrated farming. The Group established ancillary forage grass plantation bases in proximity to our dairy farms and has built a total of 15 forage grass plantation bases for the production of high-quality forage grass products.

By undertaking scientific and technological research projects and together with the Group's practice of producing high-quality forage grass, the Group has further promoted the in-depth integration of production and technology, constantly made breakthroughs in field management and protection standard, and has made outstanding achievements in variety selection, standardized plantation, precise irrigation, alfalfa regreening, afforestation and sand fixation, to become a leading high-quality forage grass plantation enterprise in China. During the Reporting Period, approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and the percentage of alfalfa silage protein index of 22% reached over 35%, reaching the top level of alfalfa hay in the United States. The Group independently developed industry-leading forage grass breeding and planting technologies, such as alfalfa cold-resistant gene technology and alfalfa excellent germplasm hybridization technology, and independently created a set of hibernating system program for alfalfa hay, through which the overall re-greening rate of the Group's alfalfa hay reached over 85%, ranking top in the industry. The Group applied the wrapped silage technology that it took the lead in developing, through which, alfalfa silage can effectively retain alfalfa protein, improve the palatability of dairy cows, and assure the quality of alfalfa to the greatest extent. The Group applied the technology and model of integration of plantation and dairy farming that it took the lead in promoting in China, actively facilitated the improvement of saline-alkali and sandy land, and studied soil carbon sequestration technology to promote the "increase of foreign carbon sink exchange" of plantation bases. During the Reporting Period, the plantation base implemented no-tillage carbon sequestration seeding technology in about 53,000 mu land. The Group applied the industry's first SOP management system for alfalfa hay cultivation, achieving standardized management throughout the whole process. As a result, the quality and yield of forage grass continuously improved. The compliance rate of alfalfa silage reached 85%, representing an increase of 5% as compared with the Period of 2022. The corn silage yield per mu of Wuwei Forage Grass Plantation Base of the Group reached 4.75 tons, hitting another record high in large-scale corn silage yield for the region.

The Group actively undertakes experiment works of scientific and technological projects, empowering operations with science and technology. During the Reporting Period, the Group organized and carried out the implementation and mid-term acceptance of the project "Research and Integrated Demonstration of Key Production and Processing and Utilization Technology of Large-scale High-quality Alfalfa Hay (規模化優質苜蓿草關鍵生產與加工利用技術研究及集成示範)" and the open-competition project "Breeding of New Varieties of High-quality Alfalfa and Industrialization Demonstration (優質苜蓿新品種選育及產業化示範)" under the "Revitalizing Inner Mongolia through Science and Technology" campaign. It successfully applied for the open-competition projects "Key Technology Research and Demonstration of High-efficiency Water-saving in the Forage Belt of the Yellow River Basin in Inner Mongolia (內蒙古黃河流域飼草帶高效節水關鍵技術研究與示範)" and "Screening and Cultivation of High-quality Forage Suitable for Saline-alkali Land and Key Technology Research and Demonstration of Cultivation (鹽鹼地適栽優質飼草篩選及栽培關鍵技術研究與示範)" of Inner Mongolia Autonomous Region for 2023. In addition,



## Management Discussion and Analysis

the Group has established the “Cooperation Platform of Five Major Scientific Research Institutes” to jointly carry out forage grass variety selection and breeding and industrialization technology R&D with the Grassland Research Institute of the CAAS, Beijing Forestry University, Inner Mongolia University, Inner Mongolia Agricultural University, and Jilin Agricultural University to improve the competitiveness of domestic forage grass.

### ▼ Forage grass plantation base



### Ruminant farming products marketplace business

As of December 31, 2023, the Group provided over 5,000 ruminant farming products for customers through the Group’s online platform, *Jumuc.com*, and the sales network of 27 offline pick-up stores nationwide, involving various core business operations of dairy farms. During the Reporting Period, in order to upgrade *Jumuc.com* and enhance its commercial value, the Group has strategically transformed its platform business by brand licensing of original ruminant farming products and providing authorization to customers, and specifically took over the offline business of *Jumuc.com* to realize the offline extension of the brand, which further broadened the scope of business of *Jumuc.com* and influence. Through the integration of online and offline development, the Group has realized information exchange, convenient shopping and resource sharing in the upstream and downstream of the industry chain, and made full use of the Internet plus large logistics system to provide fast and efficient one-stop services for customers all over the country. The Group has also promoted the mutual development of the upstream and downstream partners of the industry chain, achieving a win-win situation.

In addition, *Jumuc.com* platform integrates global supply resources, and cooperates with more than ten renowned domestic and foreign suppliers to carry out projects such as product R&D, private brand establishment and authorized agent system, etc. At the same time, by cooperating with the world’s well-known suppliers, the Group introduced material pushing robots, calves feeding equipment and other new equipment and products, providing product and service support to achieve the intelligence and automation of dairy farms.



# Management Discussion and Analysis

## Breeding business

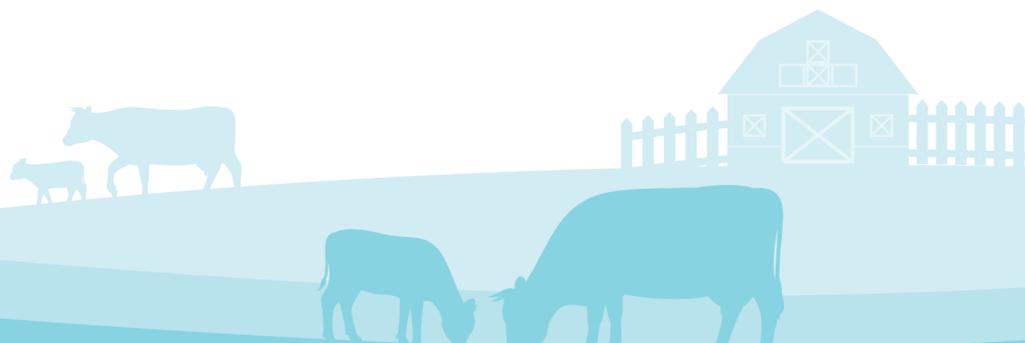
The Group offers high-quality domestic and overseas regular frozen bovine semen for dairy cattles and beef cattles, sex-sorted frozen bovine semen and embryos to dairy farms through SKX, a subsidiary of the Group.

The Group accelerated its independent cultivation of world-class top-class breeding bulls and carried out strategic cooperation with the world's leading breeding companies to secure the world's top breeds. It has also established strategic breeding partnerships with customers, promoted the commercial application of whole genome testing in dairy farms, and combined sex-sorted embryo production and transfer technology to provide customers with precise improvement plans and establish core herds. At the same time, the Group leveraged the online platform *Jumuc.com* to improve penetration of platform customers, thereby continuously improving the competitiveness and market share of breeding products. During the Reporting Period, the revenue from breeding business increased by 21.7% as compared with the Period of 2022, and the sales volume of the breeding products increased by 11.3% from 1,230,050 straws/units in the Period of 2022 to 1,368,707 straws/units, among which the sales volume of the sex-sorted embryos increased by 270.0% as compared with the Period of 2022, becoming one of the breeding companies in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

## *Overview and distribution of breeding bases*

The Group is operating a total of three breeding farms in Inner Mongolia, China and Wisconsin, the United States, one of which is a core breeding farm operated in Inner Mongolia that meets international standards with a designed capacity of 3,500 dairy cows and is equipped with a world-class embryo production laboratory, which is committed to developing into an international first-class platform for the germplasm innovation. Leveraging the integrated application of ovum pick-up-in vitro fertilization (OPU-IVF) technology and sex-sorted technology, it rapidly expanded the breeding of high-yield dairy cows and breeding cows and bred high-yield dairy cows and reserve breeding bulls on a large-batch basis. The breeding farm and embryo engineering center have been put into production and operation, possessing a future production capacity of 50,000 high-yield sex-sorted embryos, with an annual production capacity exceeding 14 tons, as well as the capability to produce 2,000 breeding embryos and 500 breeding bulls, which will make it the largest and the most comprehensively integrated quality cow breed supply base in China, so as to solve the current shortage of high-yield dairy cows in China. The full operation of the breeding farm will enhance the profitability of the Group and lay a foundation for maintaining high growth of the Group's breeding business.

During the Reporting Period, the Group commenced the construction of the beef cattle core breeding base with the highest standards in China, which, upon completion, will be able to breed 200 high-quality breeding bulls and produce one million straws of frozen bovine semen annually. The Group is committed to building a large-scale and high-quality production platform for beef cattle breeding embryos and breeding sex-sorted frozen bovine semen.



## Management Discussion and Analysis

### *Breeding product development and technological innovation*

The Group strengthened the top-class cultivation of dairy breeding bulls, domestically-produced regular and sex-sorted frozen semen, production technology and quality of sex-sorted embryos and bovine embryo through, among others, genetic evaluation technology, sex-sorted technology, cow cloning technology and embryo technology, to empower the national strategy of germplasm resources security and independent breeding technology. At the same time, the Group leveraged its technological edge to expand new technology and new products in breeding business for beef cattles and dairy goats, enhancing the diversity and market competitiveness of the breeding products.

Through the efforts of its independent R&D technology team, the Group developed the “κ-casein genotype identification method for dairy cows” and a new technology for genetic identification of A2 dairy cows during the Reporting Period, thus reserving key technologies for the development of the Group’s specialty raw milk. The Group jointly established a key technology and gene editing platform for the development of new livestock stem cells, successfully edited TK and H lactoferrin stem cell lines and cloned dairy goats with TK gene editing. In addition, the Group also actively researched on new products and technology, to improve the efficiency of in vitro embryo production of dairy cows, to expand the range of dairy cows using sex-sorted frozen semen, to shorten the early pregnancy detection time for dairy cows, and to improve the efficiency of the in vitro sex-sorted embryo cryopreservation.

Through the Group’s continuous investment and the development and application of core technologies, the Genomic Total Performance Index (GTPI) of a breeding bull bred by SKX’s joint venture station in the United States ranked 54th according to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2023. Meanwhile, SKX has bred the 1st-ranked dairy breeding bull among the genomic bulls from China registered with the American National Association of Animal Breeders. Also, 16 of its breeding bulls are ranked among the top 20 in China.

During the Reporting Period, SKX’s “Key Laboratory of Cattle Germplasm Creation and Breeding Engineering” was selected into the list of key laboratories of enterprises published by the Ministry of Agriculture and Rural Areas. The laboratory is an important base for the country to carry out scientific and technological innovation activities for the breeding industry, cultivate scientific and technological innovation achievements, and gather high-level livestock breeding technology talents. The selection will provide an important platform for the Group to exchange and cooperate with the industry in agricultural science and technology. The Group will continue to focus on key scientific tasks including the “Integration of Development of New Technologies on Dairy Cow Breeding and Innovation of Key Technologies on Breeding and Reproduction” and “Key Technological Innovation for the Exploration of High-end Dairy Breed Source and Efficient Reproduction”, so as to build up key technologies in the breeding industry, contributing to the “revitalization of the dairy industry” and “revitalization of breeding industry” of the state. The Group’s two dairy herd improvement (DHI) laboratories have successfully passed the review of the Ministry of Agriculture and Rural Affairs. Through the research and application of the DHI technology, the Group has continuously improved the production performance of self-owned and customers’ dairy herds, thereby accelerating the process of breeding industry innovation, and continuously contributing to the independent breeding capacity of dairy cow and revitalization of the dairy industry.

The Group actively carries out research on the establishment of low-emission dairy cow model and breeding selection. During the Reporting Period, the Group, in conjunction with Huazhong Agricultural University, took the lead in establishing a prediction model for methane emissions from dairy cows in China, and conducted research on rapid detection technology for methane emissions from dairy cows, providing scientific basis and technical support for high-yield and low-carbon dairy farming model.

- ▼ The Group’s 1st-ranked dairy breeding bull among the genomic bulls from China ▼ Embryo production laboratory

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Date of Birth : 2022-12-01

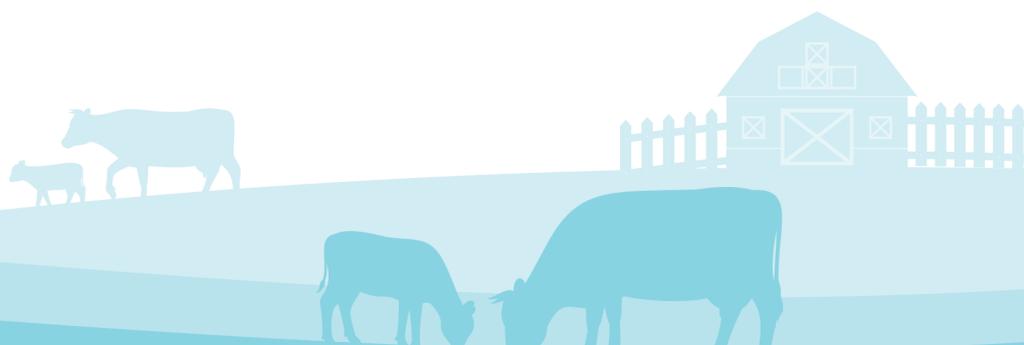


# Management Discussion and Analysis

## II. R&D STRATEGIES MANAGEMENT

Leveraging nearly four decades of experience in operation and research, and its own breeding sources of approximately 583,000 dairy cows, the Group has been committed to the R&D efforts of the whole industry chain in the upstream dairy industry, mainly including research on dairy farming technologies, development of specialty raw milk, research on the nutrition value of feed, research on genetic improvement technology and sex-sorting technology for cattle, as well as exploration and practice of integrated farming model and eco-farming standards.

The Group focuses on the improvement of the quality and competitiveness of its products with innovative technologies. On the one hand, the Group attaches importance to the reserve of core technology R&D talent pool. As of December 31, 2023, the Group's R&D team consisted of nearly 400 personnel, all possessing extensive experience in their respective industries. Supported by our in-house R&D team, as of December 31, 2023, the Group obtained 79 core patented technologies, covering each of our business lines; during the Reporting Period, the Group participated in the formulation of 6 national and local standards, and was awarded the honorary title of National Intellectual Property Advantage Enterprise. On the other hand, the Group has continuously enriched its specialty raw milk offerings and comprehensive ruminant farming solutions. The Group has developed and launched seven kinds of specialty raw milk, made deployment for the goat milk to further enrich the specialty raw milk offerings which, benefited from the scarcity of specialty raw milk, was less affected by the declining price of raw milk. The Group developed and launched proprietary concentrated feed products, such as structural calf feed, rumen bypass soybean meal, premixes and heat stress resistant perinatal feed and others. Moreover, the Group has built a leading ruminant nutrient database in China and developed leading genetic improvement technology and sex-sorting technology. The Group explored and created new farming models and methods, developed and promoted new technologies for the deep processing and utilization of forage grass products. In addition, the Group established extensive cooperation with renowned colleges and research institutions, actively participated in and undertook major demonstration projects adopting the "open competition mechanism" under the guidance of the National Dairy Technology Innovation Centre and the action of "revitalizing Inner Mongolia through science and technology" in the Inner Mongolia Autonomous Region to conduct research on the transformation and application of technological and R&D achievements, with focus on key technological issues in the upstream dairy industry chain, such as cow breeding and farming, exploration of high-quality dairy breed source and alfalfa selection and cultivation technology. During the Reporting Period, the Group entered into strategic cooperation agreements with the Institute of Animal Science and Feed Research Institute and Grassland Research Institute of CAAS, respectively. Cooperation will be carried out in dairy farming technology research, feed nutrition research and forage selection and breeding research, and in-depth cooperation will be carried out in dairy nutrition and health, high productivity and longevity, low and reduced carbon emission, dairy farms cost reduction and efficiency enhancement, and grassland quality improvement and increment. New development routes are to be explored with the scientific and technological achievements of R&D, thus injecting new development momentum into the Group.



# Management Discussion and Analysis

## III. QUALITY ASSURANCE

Sticking to the mission of “Creating the Source Power for the Healthy Life of Human Beings with Quality” and carrying forward the management concept that quality is life, the Group focuses on consolidating the foundation for quality management through three cores, namely quality culture, full-chain quality management and high-quality products. The Group continuously promotes the implementation of the quality management system among all the staff, during the full process and in all aspects and adheres to “high quality, high standards and high requirements” for the production process to guarantee product quality. In January 2024, the website of the People’s Government of the Inner Mongolia Autonomous Region announced the four enterprises that won the “2023 Autonomous Region Chairman’s Quality Award”. Inner Mongolia Youran, a subsidiary of the Company, stood out from many participating companies and became the only upstream dairy enterprise in the Inner Mongolia Autonomous Region to win the award. The Inner Mongolia Autonomous Region Chairman’s Quality Award is the highest quality award established by the autonomous region government. Winning the award shows that the Group has reached an excellent standard in management level and business capabilities, and it also fully demonstrates the scientificity, systematicity and excellence of the Group’s management system.

The Group adheres to the philosophy of “good grass raises good cows, good breeding breeds good cows, good cows produce good milk, and good milk makes good products”. From forage grass planting, feed processing, breeding and production, to fresh milk transportation, the Group has formulated clear standards for control, monitoring, analysis and quality control in every link. At present, the Group has summarized and extracted more than 1,400 control standards. Meanwhile, based on international advanced standards, the Group continuously upgrades the quality management system, and has conducted and passed various food safety and quality related management system certifications: the SQF (Safe Quality Food system), ISO9001 (the quality management system), ISO22000 (the food safety management system) and ChinaGAP (China Good Agricultural Practice) and ISO17025 China National Accreditation Service for Conformity Assessment (CNAS) Laboratory Management System, etc. The Group is the first comprehensive enterprise of dairy farming and feed processing in China that has passed SQF certification, the world-leading food safety and quality management system. Furthermore, it organically integrates the standards of these systems with its basic management to achieve the “full value chain” quality management model where system management and business are integrated, thereby continuously improving product quality.

The Group’s near-infrared nutrition database recorded over one million marked samples. The establishment of this database is of weighty significance in promoting accurate nutrition and improving test efficiency. The Group pioneered raw material adulteration identification technology in the animal husbandry industry to ensure the high-quality feed ingredients and products for self-operated dairy farms and feed customers.

During the Reporting Period, empowered by digital technologies and the quality management information platforms, such as near-infrared database, quality information management system and EHSQ (Environment, Health, Safety and Quality) management system, the collection, transmission and analysis of the quality information along the whole chain became more intelligent and efficient. The food safety team adopted quality examine mechanism, quality alert mechanism and supplier evaluation mechanism to promote the continuous improvement of the quality assurance and risk prevention and control system. The Group continued to strengthen the whole chain quality improvement and made great achievements in quality management and quality improvement by quickly identifying both known and unknown risks, improving quality management information system, normalizing quality assurance control points (QACP). During the Reporting Period, 23 dairy farms passed the Student Milk Dairy Farm certification, and 39 dairy farms passed the S-level (highest level) certification for Classification and Evaluation of Modern Dairy Farm, leading the industry in the number of certifications.

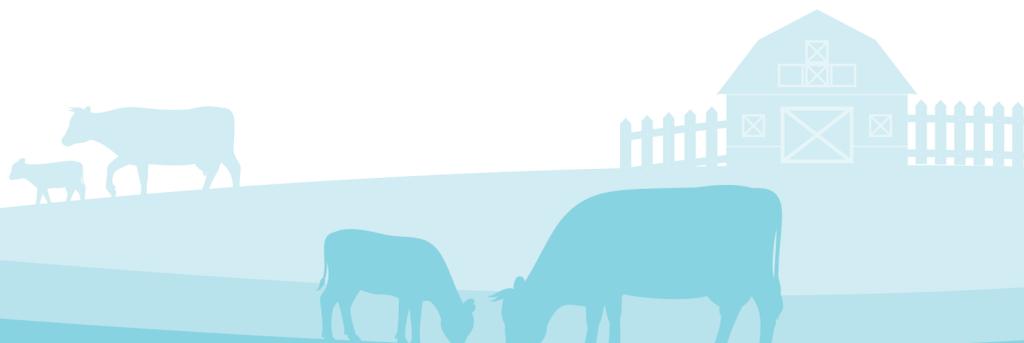
## Management Discussion and Analysis

During the Reporting Period, all of the Group's products passed the sampling inspection of quality conducted by national supervision and inspection authorities at all levels. The quality of raw milk is assessed primarily with reference to indicators generally recognized in the industry, namely aerobic plate count and somatic cell count, and the average aerobic plate count and somatic cell count in the Group's raw milk were significantly exceeding the standards set forth in China's Premium Milk Initiative (中國國家優質乳工程) and the standards of the United States, Japan and the European Union.

### IV. PROCUREMENT STRATEGIES MANAGEMENT

The Group applied a "full lifecycle" supplier management system and developed procurement strategies highly matching its strategic development, which focused on deeply implementing the procurement strategy on bulk raw and ancillary materials, further expanding strategic suppliers and optimizing supplier structure. It mitigated the procurement risk on bulk raw materials and further reduced procurement cost through the hedging of futures, strategic reserve, direct purchase from sources, global purchases and other strategies. During the Reporting Period, the Group entered into 74 strategic collaboration projects with 32 strategic suppliers. The Group continued to explore value-added businesses that can be carried out with strategic partners and strengthened the relationship with business partners to build a sustainable win-win ecosystem.

During the Reporting Period, the Group systematically promoted the procurement strategy around the aspects of "cost management" and "strategic project advancement". In terms of cost management, the Group shifted from short-term strategic cost reduction to long-term strategic cost reduction and structural cost reduction, that is, from focusing on price to focusing more on value, from bidding based on price to bidding based on total purchase cost or total cost of ownership. Through this approach, the Group identified core cost reduction measures, actively explored new procurement models, and adopted multiple-prong measures for multiple categories to achieve cost savings. In particular, the use of new ideas and methods such as the expansion of new supply channels for domestic low-potassium oat hay, the domestication of milking machine spare parts, the replacement of rice husks with crushed corn stalks, and the silage bidding model have played a pioneering role in expanding the cost reduction strategies. In terms of strategic project advancement, the Group has empowered the dairy farming technology, carbon neutrality, talent cultivation, and introduction of new technologies and new products by promoting the establishment of sustainable development relationships with suppliers. The Group has carried out strategic cooperation with Cargill, one of the world's four major grain traders, in technology, products, talents, and markets, and carried out strategic cooperation with Boehringer Ingelheim, a global leading biopharmaceutical company, in the fields of carbon reduction, animal health, new technology research, new product development, and high-level talent training, to achieve co-creation, sharing, and win-win results.



# Management Discussion and Analysis

## V. DIGITAL MANAGEMENT

Adhering to the principle of “data-driven business innovation, technology-driven value-added business”, the Group leveraged the value of platform data such as near-infrared database and CNAS-certified laboratories to optimize and upgrade the existing Intelligent Farm Cloud, financial sharing platform and human resources sharing platform, EHSQ management system, the *Jumuc.com* platform and other digital assets. Also, through integration and governance mechanism, the Group built and enhanced four aspects of management capabilities: information management of the whole lifecycle of dairy cows and the whole process of production and operation; integrated management and control platform of business, finance and human resources; integrated management and traceability of environment, health, safety and quality; and precise marketing, service and in-depth pipeline management.

During the Reporting Period, the Group established a digital technology center to undertake and promote the technological upgrade and transformation of the business, and enhanced the digitalization competitiveness of the Group, promoting the Group’s steady progress towards the digital transformation vision of “becoming a leader in the digital development of the global animal husbandry industry”.

During the Reporting Period, the Group took the lead in the industry to build a “fully intelligent unmanned barn”, which adopted fully intelligent unmanned milking robot, feeding robot, material pushing robot, dung cleaning robot, all-weather cow feeding total mixed ration (TMR) batching system and intelligent robot biological fermentation system, which are the most internationally advanced. At the same time, through the IoT technology, the temperature, humidity, gas and light of the barn are automatically adjusted and conditioned, which greatly improves the comfort of dairy cow feeding and enhances the management accuracy and fineness of dairy farms, improves operational efficiency, and provides intelligent protection for the health of dairy cows and the production of high-quality raw milk, whereas the “Standardization and Key Technology of Smart Dairy Farms of the Dairy Industry” project jointly completed by the Group and the Grassland Research Institute of CAAS, the Inner Mongolia Agricultural and Animal Husbandry Technology Extension Centre, the Inner Mongolia Academy of Agricultural and Animal Husbandry Sciences, the Inner Mongolia University, the Inner Mongolia University of Technology, and the Yili Group, won the First Prize of the Inner Mongolia Autonomous Region Science and Technology Progress Award.

During the Reporting Period, the Group carried out various digitalization practices through integration and governance mechanisms, upgraded and optimized the “TMR Precision Feeding System”, “Herd Structure Forecasting System” and “Digital Procurement Mall”, etc., and independently developed the “AI Precision Sprinkler System”, “Feed/Vaccine Demand and Planning Management System”, “Silage Acquisition Management System”, “Raw Material Trading System” and “Unattended Automated Weighing System”. Leveraging big data platform and algorithm model and intelligent AI equipment, the Group is gradually achieving the automation of data collection, unmanned operation, remote management, automation of enterprise scheduling, intelligent operation prediction, and flexibilization of production management, etc. in dairy farming.



# Management Discussion and Analysis

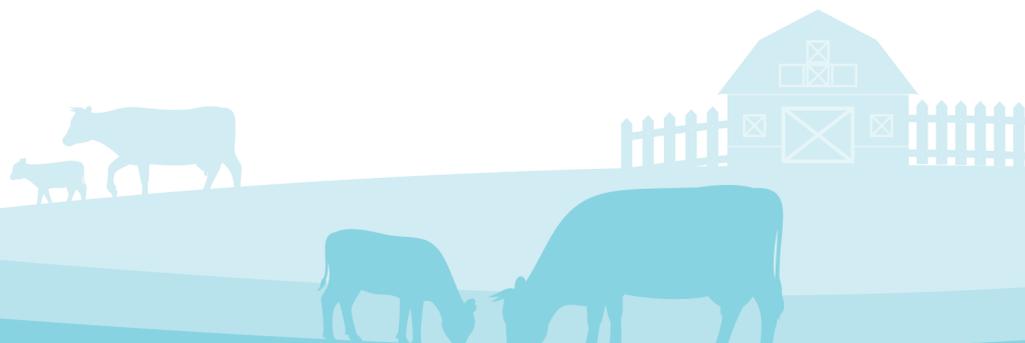
## VI. BUILDING A SUSTAINABLE DEVELOPMENT MODEL

The Group adheres to a green, ecological and sustainable development strategy, continuously deepens the sustainable development management system, constantly integrates core issues on sustainable development with business development and innovation and vigorously promotes the long-term mechanism on sustainable development to set an example to the industry. During the Reporting Period, the Group was striving to meet the established strategic goal of reaching peak carbon emissions in 2030 and carbon neutrality in 2050, constantly promoting implementation of sustainable development initiatives.

In terms of carbon inventory and verification, the Group has continuously carried out carbon inventory, verification and certification, and further optimized the carbon neutrality action plan based on the carbon inventory results to ensure that the carbon neutrality work is done thoroughly. In terms of carbon emission reduction, the Group focuses on the continuous optimization of energy structure, actively promotes the research and application of ruminant carbon reduction technology, biological breeding technology and efficient low-carbon manure treatment technology, and develops diversified emission reduction methods, so as to effectively reduce greenhouse gas emission intensity. In terms of carbon sink construction, the Group actively develops the “planting-dairy farming integration” model, vigorously promotes grassland improvement and forage planting and the construction of low-carbon circular pastures to continuously expand the carbon sink storage space and inject strong impetus into green development. During the Reporting Period, the Group built ancillary forage grass plantation bases near its dairy farms, and actively cooperated with silage suppliers and other suppliers. The actual land area under the integrated plantation and dairy farming model was nearly 2,000,000 mu.

The Group actively fulfilled its social responsibilities, provided job opportunities for local farmers and herdsmen and helped them achieve income growth through businesses and technologies. The Group gave full play to its industrial and technological advantages to enhance the quality of agricultural products and agricultural output value, and increase farmers’ production benefits. In addition, the Group formulated specific poverty alleviation policies in different regions to enhance the self-development ability of local farmers and herdsmen to achieve mutual development.

During the Reporting Period, the sustainable development strategies and practices of the Group were widely recognized, and the Group was rated “BB” after being included in the Morgan Stanley Capital International (MSCI) ESG rating for the first time, becoming the first dairy farming enterprise in China awarded such rating. The score of our response to the S&P Global Corporate Sustainability Assessment (CSA) Questionnaire increased by 25% as compared with the previous year, and was approximately 95.7% higher than the industry average, and ranked in the top 15% of the industry among the peer companies that had completed the 2023 assessment.



# Management Discussion and Analysis

## VII. PROSPECTS

As the endogenous driving force of economic growth further strengthens after the pandemic, residents' consumption capacity and willingness are expected to continuously improve. Meanwhile, consumers' enhanced health awareness after the pandemic will spur the growth of China's dairy product consumption. In addition, since 2024, the prices of bulk raw materials and feed, such as soybean meal, corn and imported alfalfa hay, have all shown a downward trend. The Group will continue to promote technological transformation, improve efficiency, and seize opportunities amid challenges.

Going forward, the Group will continue to adhere to the established strategy, implement the six core strategic initiatives, take innovation as the driving force, empower business through digitalization and lean management, fully leverage the strengths of our platform, whole industry chain and talents, adhere to green sustainable development, and build core competitiveness. Besides, the Group will improve operation and management efficiency, and expand revenue and profit margins through cost reduction and efficiency enhancement. The Group will efficiently deliver the following products and services: the forage grass business will grow high-quality, high-yield and high-conversion rate forage grass; the breeding business will breed breeding cattle of excellent quality and produce high-quality and low-cost frozen semen and embryos; the feed business will produce nutritionally balanced and highly effective feed with notable cost advantage; and the raw milk business will produce high-quality, low-cost and highly functional raw milk. The Group will continue to consolidate and expand its long-term advantages of "the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout and high-efficiency operation" to promote the sustainable and high-quality development of the Group and to create value for customers, Shareholders, employees and the society, thus contributing to the revitalization of China's dairy industry.



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

Our revenue increased by 3.6% from RMB18,051 million for the Period of 2022 to RMB18,694 million for the Reporting Period.

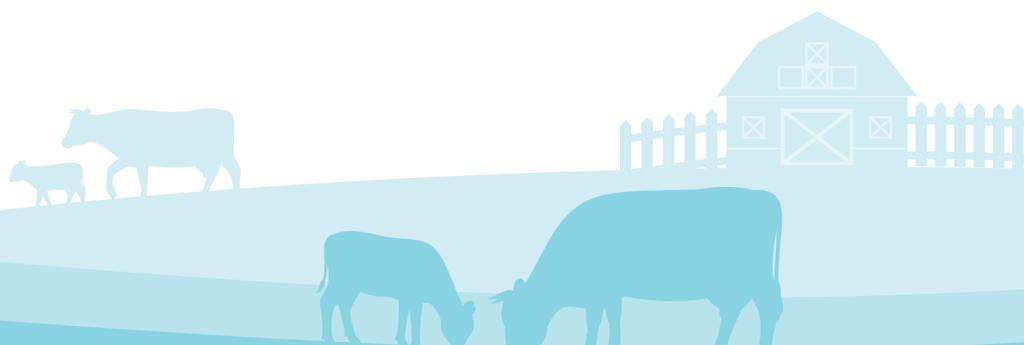
The following table sets forth a breakdown of our revenue by product types for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Raw milk	12,902,987	10,853,917
Comprehensive ruminant farming solutions	5,790,909	7,196,844
<b>Total</b>	<b>18,693,896</b>	18,050,761

The increase in our total revenue was primarily due to the growth of the raw milk business.

Our revenue from raw milk increased by 18.9% from RMB10,854 million for the Period of 2022 to RMB12,903 million for the Reporting Period, which was mainly due to the increase of 26.5% in the sales volume of our raw milk from 2,328,512 tons for the Period of 2022 to 2,945,840 tons for the Reporting Period, and the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in domestic raw milk, with the average unit price of raw milk of the Group for the Reporting Period being RMB4.38/kg, representing a decrease of 6.0% as compared to RMB4.66/kg for the Period of 2022.

Our revenue generated from comprehensive ruminant farming solutions decreased by 19.5% from RMB7,197 million for the Period of 2022 to RMB5,791 million for the Reporting Period, which was mainly due to the impact of the dairy industry environment, the Company promptly and proactively adjusted its sales strategy, with a focus on high-quality customers and actively screening customers. Although this resulted in a short term reduction in revenue, it effectively controlled operational risks.



## Management Discussion and Analysis

### Cost of sales

Our cost of sales increased by 3.2% from RMB16,959 million for the Period of 2022 to RMB17,499 million for the Reporting Period.

The following table sets forth a breakdown of our cost of sales before fair value adjustments by our product types for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Raw milk	9,206,651	7,441,870
Comprehensive ruminant farming solutions	5,017,460	6,385,169
<b>Total</b>	<b>14,224,111</b>	<b>13,827,039</b>

The increase in cost of sales of the Group was primarily due to the growth of raw milk business and the effect of fair value adjustment on agricultural produce.

Cost of sales for the raw milk business before raw milk fair value adjustments increased by 23.7% from RMB7,442 million for the Period of 2022 to RMB9,207 million for the Reporting Period, which was primarily due to new dairy farms being put into operation and the increase in the number of dairy cows.

During the Reporting Period, the Group's average feed cost of premium raw milk and specialty raw milk was RMB2.45/kg, representing a decrease of 1.2% from the Period of 2022.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments decreased by 21.4% from RMB6,385 million for the Period of 2022 to RMB5,017 million for the Reporting Period, which was primarily due to the decrease in revenue.

Fair value adjustments for agricultural produce included in cost of sales increased by 4.6% from RMB3,132 million for the Period of 2022 to RMB3,275 million for the Reporting Period.

### Gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest

Our gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest were RMB3,132 million for the Period of 2022 and RMB3,275 million for the Reporting Period, respectively, mainly due to the combined effect of the overall decline in the domestic selling price of raw milk and the increase in sales volume. According to the requirements of IFRSs, agriculture produce shall be initially recognized at fair value less costs to sell at the point of harvest and the difference between fair value less costs to sell and the actual cost incurred shall be recognized in profit or loss.



## Management Discussion and Analysis

### Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB4,224 million for the Period of 2022, representing a gross profit margin of 23.4%, and a gross profit of RMB4,470 million for the Reporting Period, representing a gross profit margin of 23.9%.

The following table sets forth a breakdown of our gross profit and gross profit margin by business for the periods indicated:

	For the year ended December 31,			
	2023		2022	
	RMB'000 (except for percentage)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Raw milk	3,696,336	28.6%	3,412,047	31.4%
Comprehensive ruminant farming solutions	773,449	13.4%	811,675	11.3%
<b>Total</b>	<b>4,469,785</b>	<b>23.9%</b>	<b>4,223,722</b>	<b>23.4%</b>

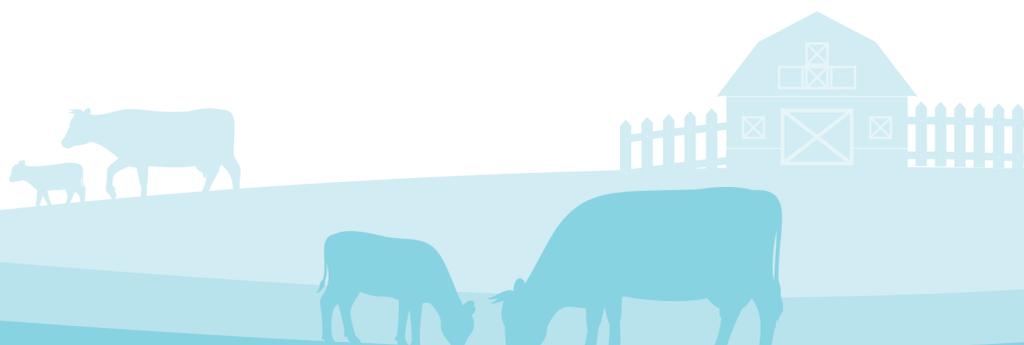
The increase in the gross profit margin was primarily due to the increase in the proportion of raw milk business and the increase in gross profit margin of the comprehensive ruminant farming solutions business.

The gross profit of the raw milk business increased from RMB3,412 million for the Period of 2022 to RMB3,696 million for the Reporting Period. The gross profit margin of the raw milk business decreased from 31.4% for the Period of 2022 to 28.6% for the Reporting Period, which was mainly due to the effects of the decline in the price of raw milk resulting from the temporary unbalance of the supply and demand in raw milk.

The gross profit of the comprehensive ruminant farming solutions business decreased from RMB812 million for the Period of 2022 to RMB773 million for the Reporting Period. The gross profit margin of the comprehensive ruminant farming solutions business increased from 11.3% for the Period of 2022 to 13.4% for the Reporting Period, mainly because of the increase in gross profit margin of the sales of feeds business.

### Loss arising from changes in fair value less costs to sell of biological assets

Our loss arising from changes in fair value less costs to sell of biological assets changed from the loss of RMB1,617 million for the Period of 2022 to the loss of RMB3,613 million for the Reporting Period, which was primarily due to the effects of the decline in the selling price of raw milk, and the decline in the market prices of beef cattles and heifers in 2023.



# Management Discussion and Analysis

## Other income

Other income increased by 25.1% from RMB363 million for the Period of 2022 to RMB454 million for the Reporting Period, which was primarily due to (i) the increase in government grants transferred from deferred income from RMB146 million for the Period of 2022 to RMB191 million for the Reporting Period; (ii) the increase in rental income from RMB10 million for the Period of 2022 to RMB20 million for the Reporting Period, and (iii) the increase in interest income from RMB23 million for the Period of 2022 to RMB28 million for the Reporting Period.

## Impairment loss under expected credit loss model, net of reversal

Our impairment loss under expected credit loss model, net of reversal decreased by 79.8% from RMB33 million for the Period of 2022 to RMB7 million for the Reporting Period, which was primarily due to the overall decrease in receivables attributable to our focus on high-quality customers, actively screening the customers, and the strict control over customers with credit terms.

## Impairment loss recognised in respect of goodwill

The impairment loss recognised in respect of goodwill for the Reporting Period amounted to RMB121 million (nil for the Period of 2022), which was mainly due to the Group's provision of impairment loss on goodwill of SKX held by the Group during the Reporting Period.

## Other gains and losses

Our other gains and losses increased by 182.4% from a gain of RMB48 million for the Period of 2022 to a gain of RMB136 million for the Reporting Period, which was primarily due to the increase in the gain from fair value of financial assets of the Group.

## Selling and distribution expenses

Our selling and distribution expenses increased by 5.0% from RMB590 million for the Period of 2022 to RMB620 million for the Reporting Period, which was primarily due to the increase in storage fee resulting from certain reserve of raw materials at the beginning of the year to control the cost of raw materials and the year-on-year increase in taxes and surcharges. The proportion of selling and distribution expenses in our revenue for the Reporting Period was 3.3%, which was almost the same as the Period of 2022.

## Administrative expenses

Our administrative expenses increased by 7.8% from RMB722 million for the Period of 2022 to RMB778 million for the Reporting Period. The proportion of administrative expenses in our revenue increased from 4.0% for the Period of 2022 to 4.2% for the Reporting Period, which was primarily due to the year-on-year increase in expense rate resulting from reserving management personnel for new dairy farms put into operation.



# Management Discussion and Analysis

## Other expenses

Our other expenses increased by 8.4% from RMB65 million for the Period of 2022 to RMB70 million for the Reporting Period, which was primarily due to a year-on-year increase in the expenditure as a result of more investment in R&D by the Group.

## Finance costs

Our finance costs decreased by 1.4% from RMB1,097 million for the Period of 2022 to RMB1,083 million for the Reporting Period, which was primarily due to decreased finance costs as a result of the redemption of convertible notes.

## (Loss)/profit before tax

As a result of the foregoing, we had a profit before tax of RMB475 million for the Period of 2022, compared with a loss before tax of RMB1,360 million for the Reporting Period.

## Income tax expense

We recorded a 34.8% increase in income tax expense from RMB69 million for the Period of 2022 to RMB93 million for the Reporting Period, primarily due to the growth of profit from our taxable business.

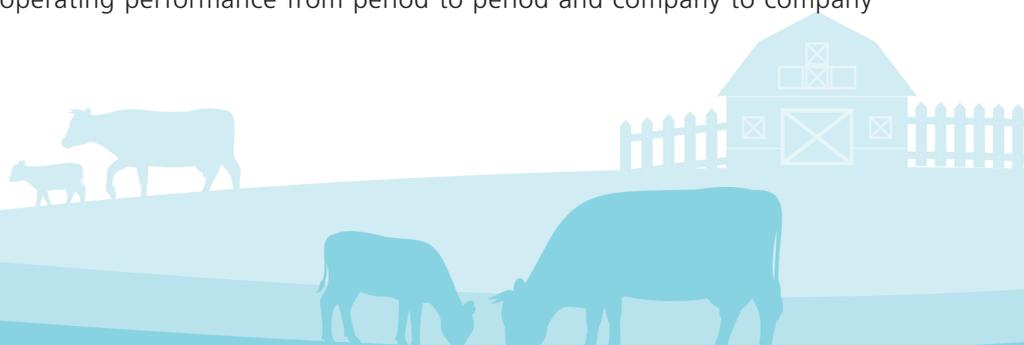
## (Loss)/profit for the year

As a result of the foregoing, we generated a profit of RMB406 million for the Period of 2022 and a loss of RMB1,453 million for the Reporting Period, primarily due to (i) the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in raw milk; (ii) the increase in gross profit as a result of the increase in sales volume of our raw milk for the Reporting Period as compared to the Period of 2022 which failed to fully offset the impact of lower gross margins on profits; (iii) the significant increase in loss arising from changes in fair value less costs to sell of biological assets.

## Non-IFRSs measures

To supplement our consolidated financial information which is presented in accordance with IFRSs, we also use certain financial measures which is not required by, or presented in accordance with IFRSs. We believe that these non-IFRSs measures provide useful information to investors and others in understanding and evaluating our consolidated financial results in the same manner as our management.

The use of these non-IFRSs measures have limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRSs. The Group's presentation of such adjusted figures may not be comparable to a similar measure presented by other companies. However, the Group believes that these measures reflect the Group's normal operating results by adjusting for the potential impacts of certain non-recurring items, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.



## Management Discussion and Analysis

The Group uses the following financial measures that are not required by or presented in accordance with IFRSs:

- i. Cash EBITDA represents (loss)/profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) loss arising from changes in fair value less costs to sell of biological assets, (v) income tax expense, (vi) finance costs, (vii) interest income, and (viii) depreciation and amortization charged to profit or loss.
- ii. Profit for the year (before biological assets fair value adjustments) represents (loss)/profit for the year excluding loss arising from changes in fair value less costs to sell of biological assets.
- iii. Adjusted (loss)/profit attributable to owners of the Company for the year represents (loss)/profit attributable to owners of the Company for the year after adjusting the following items: (i) the difference between the effective interest of convertible notes recognized at amortized cost and the interest calculated at 4% of the nominal interest rate; and (ii) the reversal of litigation losses regarding the adjustments made to the consideration for acquisition of SKX.

The following tables reconcile the Group's adjusted cash EBITDA, profit for the year (before biological assets fair value adjustments) and adjusted (loss)/profit attributable to owners of the Company for the year from the most directly comparable financial measure calculated and presented in accordance with IFRSs.

### Cash EBITDA

	For the year ended	
	December 31, 2023	2022
	RMB'000	RMB'000
<b>(Loss)/Profit for the year</b>	<b>(1,452,892)</b>	405,986
<b>Adjustments:</b>		
Other gains and losses	(135,551)	(47,999)
Impairment loss recognised in respect of goodwill	120,966	–
Impairment losses under the expected credit loss model, net of reversal	6,629	32,739
Loss arising from changes in fair value less costs to sell of biological assets	3,613,271	1,617,116
<b>Adjusted profit for the year</b>	<b>2,152,423</b>	2,007,842
<b>Adjustments:</b>		
Income tax expense	93,388	69,284
Finance costs	1,082,592	1,097,485
Interest income	(28,234)	(23,184)
Depreciation and amortization charged to profit or loss	551,249	439,609
<b>Cash EBITDA</b>	<b>3,851,418</b>	3,591,036



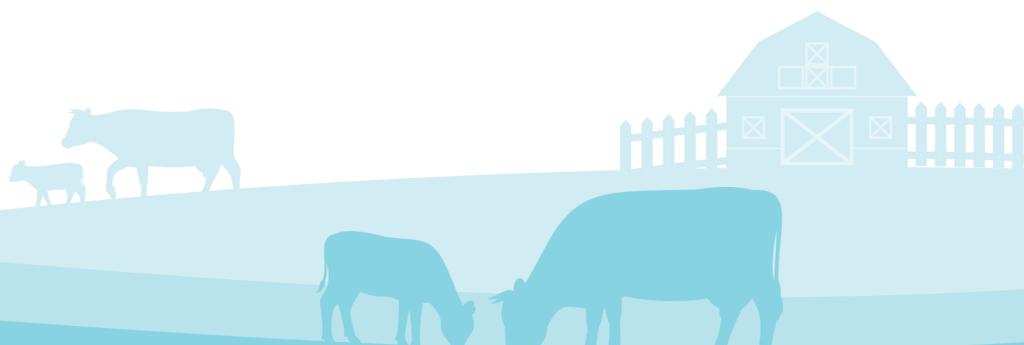
## Management Discussion and Analysis

### Profit for the Year (Before Biological Assets Fair Value Adjustments)

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
(Loss)/Profit for the year	(1,452,892)	405,986
Adjustments:		
Loss arising from changes in fair value less costs to sell of biological assets	3,613,271	1,617,116
Profit for the year (before biological assets fair value adjustments)	2,160,379	2,023,102

### Adjusted (Loss)/Profit Attributable to Owners of the Company for the Year

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
(Loss)/Profit attributable to owners of the Company for the year	(1,049,980)	414,771
Adjustments:		
The difference between the interest of convertible notes recognized at amortized cost and the interest calculated at 4% of the nominal interest rate	190,248	523,801
Reversal of litigation losses regarding the adjustments made to the consideration for acquisition of SKX	–	(49,234)
Adjusted (loss)/profit attributable to owners of the Company for the year	(859,732)	889,338



# Management Discussion and Analysis

## Liquidity and Capital Resources

During the Reporting Period, the Group funded its cash requirements principally through a combination of cash generated from operating activities, bank borrowings and net proceeds from the Global Offering.

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Net cash generated from operating activities	4,389,964	2,547,778
Net cash used in investing activities	(4,344,378)	(10,783,819)
Net cash generated from financing activities	2,989,958	8,051,843
Net increase/(decrease) in cash and cash equivalents	3,035,544	(184,198)
Effects of foreign exchange rate changes	544	9,031
Cash and cash equivalents at the beginning of the year	1,452,253	1,627,420
<b>Cash and cash equivalents at the end of the year</b>	<b>4,488,341</b>	<b>1,452,253</b>

## Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB4,390 million. For the Period of 2022, net cash generated from operating activities was RMB2,548 million.

## Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities was RMB4,344 million, which was mainly attributable to (i) payments for raising and purchasing biological assets of RMB5,188 million, (ii) acquisition of financial assets at FVTPL of RMB4,500 million, and (iii) payments for property, plant and equipment of RMB2,758 million, partially offset by the proceeds from the disposal of biological assets of RMB1,088 million and the proceeds from the disposal of financial assets at FVTPL of RMB6,580 million.

For the Period of 2022, net cash used in investing activities was RMB10,784 million, which was mainly attributable to (i) payments for raising and purchasing biological assets of RMB5,152 million, (ii) acquisition of financial assets at FVTPL of RMB1,900 million, (iii) payments for investment in associates of RMB1,158 million, and (iv) payments for property, plant and equipment of RMB3,472 million, partially offset by the proceeds from the disposal of biological assets of RMB1,038 million.

## Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities was RMB2,990 million, which was mainly attributable to (i) new bank and other borrowings of RMB3,627 million, (ii) repayment of bank and other borrowings of RMB32,008 million; and (iii) payments of redemption of convertible notes of RMB1,450 million.



## Management Discussion and Analysis

For the Period of 2022, net cash generated from financing activities was RMB8,052 million, which was mainly attributable to (i) new bank and other borrowings of RMB25,179 million; (ii) repayment of bank and other borrowings of RMB14,205 million; and (iii) payments of partial redemption of convertible notes of RMB2,185 million.

### Indebtedness

	As of December 31,	
	2023	2022
	RMB'000	RMB'000
Bank borrowings	26,259,588	20,559,056
Unsecured	24,823,071	18,838,786
Secured	1,213,390	1,560,901
Other borrowings	223,127	159,369
	26,259,588	20,559,056
The carrying amounts of the above borrowings are repayable:		
Within one year	16,433,086	13,827,675
More than one year but within two years	3,851,780	1,349,477
More than two years but within five years	4,147,876	3,892,704
More than five years	1,826,846	1,489,200
	26,259,588	20,559,056
Less: Amounts due within one year shown under current liabilities	(16,433,086)	(13,827,675)
Amount shown under non-current liabilities	9,826,502	6,731,381
Lease liabilities	1,822,701	1,556,991
Less: Amount due within 1 year shown under current liabilities	(220,788)	(131,604)
Amount shown under non-current liabilities	1,601,913	1,425,387
Other liabilities at amortised cost	7,310	14,252
Portion classified under current liabilities	(7,310)	(6,942)
Portion classified under non-current liabilities	–	7,310

# Management Discussion and Analysis

## Contingent Liabilities

As at December 31, 2023, the Group had no significant contingent liability.

## Net Gearing Ratio

As at December 31, 2023, the Group's net gearing ratio was 165.2%, representing an increase of 30.2 percentage points as compared to 135.0% as at December 31, 2022, mainly due to the increase in bank and other borrowings as a result of the centralized construction of various dairy farms by the Group on the golden milk source belt. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, plus convertible notes, less bank balances and cash, and less pledged and restricted bank deposits and deposits placed with a related party under current assets) divided by total equity and multiplied by 100%.

## Capital Commitment

As at December 31, 2023, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB1,617 million (as at December 31, 2022: RMB2,998 million), representing a decrease as compared with that of December 31, 2022, which was mainly due to the decrease in expense for purchase of assets as the Group completed the strategic blueprint of construction of dairy farms on the golden milk source belt, which led to significant reduction of investment scale in the future.

## Pledge of Assets

As at December 31, 2023, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 51.73% of shares of SKX, 60.59% of shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% of shares of Tangshan Youran Dairy Co., Ltd. held by a wholly-owned subsidiary of the Group, as well as pledged and restricted bank deposits in the carrying amount of RMB5 million.

## Foreign Exchange Risk

The Group operates mainly in the PRC and majority of revenue and costs of goods sold and operations are denominated in RMB. Almost all of the revenue and costs are denominated in the Group entities respective functional currency.

The Company has intra-group balances denominated in foreign currency with a subsidiary, which also exposes the Group to foreign currency risk.

The management of the Group has designated dedicated personnel to monitor the Group's foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.



# Management Discussion and Analysis

## Significant Investments

Save as disclosed in this annual report, the Group did not make or hold any significant investments (including any investment in an investee company representing 5%, or more of the Company's total assets as at December 31, 2023) during the Reporting Period.

## Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, as of December 31, 2023, the Group did not have plans for material investments and capital assets.

## Material Acquisitions and/or Disposals

Save as disclosed above, as of December 31, 2023, the Group did not have any material acquisitions and/or disposals of subsidiaries, associates or joint ventures.

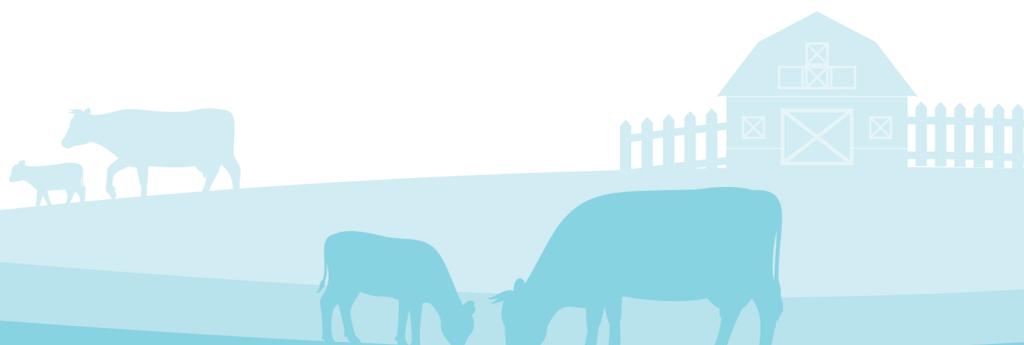
## Employees and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations by function as at December 31, 2023.

Function	Number of Staff	% of Total
Management Personnel	1,181	9.6%
Professional Personnel <sup>Note 1</sup>	1,451	11.7%
Technicians	2,842	23.0%
Skilled Personnel <sup>Note 2</sup>	6,549	52.9%
Supporting Personnel <sup>Note 3</sup>	350	2.8%
<b>Total</b>	<b>12,373</b>	<b>100.0%</b>

Notes:

1. Professional personnel primarily include staff who are responsible for human resources, finance, procurement and other functions.
2. Skilled personnel primarily include milkers, drivers, testing personnel, maintenance personnel, and calf raisers.
3. Supporting personnel primarily include custodians, chefs and cleaning operatives.



## Management Discussion and Analysis

Our success depends on our ability to attract, retain, motivate qualified employees and maintain a stable core management and technical team. In this regard, the Group adheres to “building an efficient talent supply chain”, and makes comprehensive layout of talent guarantee, capacity building, vitalizing, cultural construction, remuneration management and the improvement of labor efficiency. In particular:

- i. Talent guarantee: We established cooperation relationships with colleges to achieve the integration of industry, teaching and research and continuously introduce quality industry talents. We built a specialized, yet versatile and multi-skilled management team, continued to improve the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to enhance the support of the career development of employees on our strategy.
- ii. Capacity building: In order to build a talent team with strategic significance, the Group opened up a career development path that integrates employee development and talent cultivation, strengthened the “combination of training and practice”, and relied on a well-established talent cultivation system. We utilized various forms of development, such as rotation training, online classes, offline special classes, talent cooperation and overseas study, to cultivate elite talents and establish a hierarchical, branded and digitalized talent cultivation system. At the same time, we are dedicated to building a learning organization and establishing long-term strategic cooperative relationships with top experts in the industry. Regular training and evaluation are provided to employees to enhance their performance.
- iii. Organization activation and reform motivation: During the Reporting Period, we initiated a reorganization program to achieve resource integration and function refinement, enabling us to empower the business and activate the organization more effectively. Meanwhile, we continued to promote strategic performance change projects to enhance the undertaking of strategic/organizational key value and motivate employees to become outstanding value creators. In addition, we made incentives in innovation, revenue generation and cost reduction to improve non-material incentive programs.
- iv. Cultural construction: Guided by our vision, the Group formulated a strategic development direction and deepened the operation and management philosophy, as well as the staff code of conduct, so as to strengthen cultural communication, system integration, value evaluation management and innovation. The Group has established a culture assessment mechanism, enhanced cultural integration and cultural influence, and promoted the incorporation of corporate culture into the whole process of the Company’s operation and management to create a cognition of culture aligned with the action, and build its irreproducible core competitiveness.
- v. Remuneration management and improvement of labor efficiency: The Group aligned position value with salary from four perspectives, namely position, performance, competence, and market, and implemented a comprehensive remuneration management system based on market changes. We continued to review and conduct lean analysis on the efficiency of job positions. Measures such as the introduction of automated equipment, changes in management mode, and the application of digital technology were implemented to further enhance the Group’s per capita labor efficiency.

The total remuneration expenses, excluding retirement benefit scheme contributions, were RMB1,164 million for the Reporting Period, as compared to RMB1,012 million for the Period of 2022, representing a year-on-year increase of 15.0%.



# Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2023.

## Directors

The Directors who held office during the year ended December 31, 2023 and up to the Latest Practicable Date are:

### Executive Directors:

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

### Non-Executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)

*(resigned on July 28, 2023)*

Mr. Wu Xiang (武翔) (*Chairman*)

*(appointed on July 28, 2023)*

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

### Independent Non-executive Directors

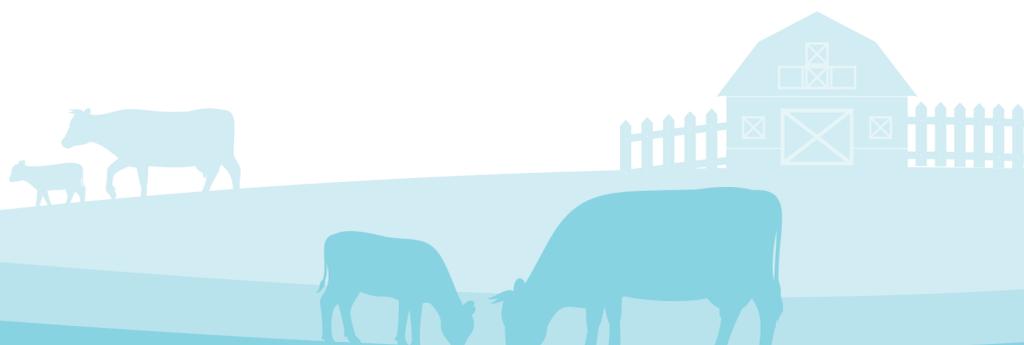
Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 67 to 72 of this annual report.

In accordance with Article 108 of the Articles of Association, Mr. Dong Jiping, Mr. Yao Feng and Mr. Shen Jianzhong shall retire at the AGM. In accordance with Article 112 of the Articles of Association, Mr. Wu Xiang shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.



# Report of Directors

## Changes in Director's Information

Changes in Director's information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of Change
Mr. Zhang Yujun	Resigned as a non-executive Director and the Chairman of the Board of the Company with effect from July 28, 2023
Mr. Wu Xiang	Appointed as a non-executive Director and the Chairman of the Board of the Company with effect from July 28, 2023
Mr. Qiu Zhongwei	Appointed as a non-executive director of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a company listed on the Stock Exchange (stock code: 9977) with effect from January 18, 2023

Save as disclosed above, the Company is not aware of changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## General Information

The Company was incorporated in the Cayman Islands on August 21, 2020 with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on June 18, 2021.

## Principal Activities

Through its two business segments, namely, raw milk and comprehensive ruminant farming solutions, the Group primarily provides premium raw milk to large-scale dairy manufacturers and offers ruminant farming products and services to dairy farms in the PRC. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

## Results

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 98 of this annual report.



# Report of Directors

## Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "President's Statement" and "Management Discussion and Analysis" of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Significant Events After the Reporting Period" of this annual report. A review of the major risks faced by the Group, risk management and internal control measures are set out in the section headed "Risk Management and Internal Control" of this annual report. A discussion of the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" separately published by the Company in April 2024. An account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out the sections headed "Relationship with Suppliers", "Relationship with Customers" and "Relationship with Employees" of this annual report.

## Environmental Policies and Performance

The Company has established an ESG Committee to comprehensively assess, manage and improve its environmental, social and governance performance, and make annual disclosure in accordance with compliance requirements and international standards. For details, please refer to the "Environmental, Social and Governance Report" published by the Company in April 2024.

## Compliance with the Relevant Laws and Regulations

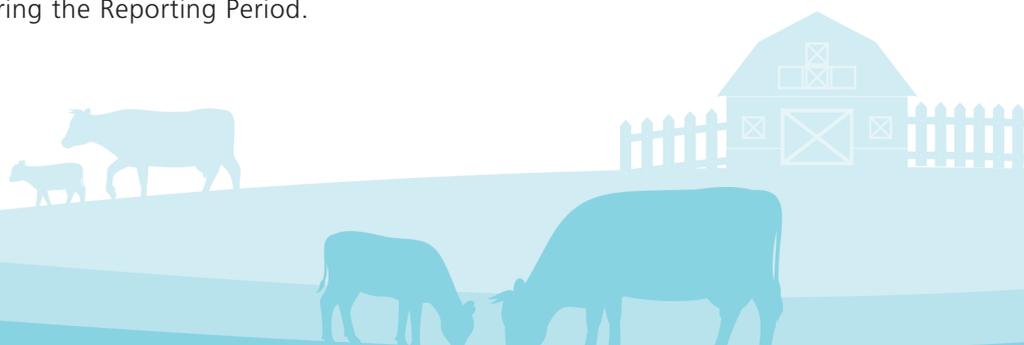
As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

## Major Customers and Suppliers

### Customers

The customers of the Group mainly include dairy manufacturers and dairy farms. In particular, Yili Group is, and has been, a major customer of the Group, and the Group's success partially depends on its long-term and stable cooperation with Yili, which is a controlling shareholder.

During the Reporting Period, revenue generated from the Group's top five customers was RMB13,671 million (2022: RMB11,544 million), representing 73.1% (2022: 64.0%) of the Group's total revenue. During the same period, the Group generated revenue of RMB12,447 million (2022: RMB10,485 million) from sales of raw milk to Yili Group, our largest customer, representing 96.5% (2022: 96.6%) of the Group's total raw milk revenue during the Reporting Period.



## Report of Directors

As at the Latest Practicable Date, Yili was a controlling shareholder of the Company. Save for the aforementioned, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, own more than 5% of our issued capital, had any interest in any of our five largest customers during the Reporting Period.

As disclosed on page 297 of the Prospectus, in respect of the comprehensive ruminant farming solutions business segment of the Group, a number of customers who make purchases from the Group are also raw milk suppliers of Yili Group (the “**Overlapping Parties**”). Since 2013, the Group, Yili Group and the Overlapping Parties have been entering into certain entrusted payment arrangements, pursuant to which the Overlapping Parties would generally enter into a tripartite agreement with Yili Group and the Group and entrusts Yili Group to pay to the Group the amount payable by such Overlapping Parties to the Group, after which Yili Group shall deduct the relevant amount from the balance of the amount owed by Yili Group to such Overlapping Parties. During the Reporting Period, the revenue contribution from the Overlapping Parties as at December 31, 2023 to the Group’s total revenue amounted to approximately 5.4%. Further details of the Overlapping Parties and the Group’s arrangements with the Overlapping Parties are set out in the Prospectus.

### Suppliers

The Group’s suppliers primarily include suppliers of feed ingredients and forage grass, ruminant farming products and farm construction services and equipment.

The purchases from the Group’s top five largest suppliers accounted for less than 30% of the total purchases of the Group during the Reporting Period.

### Relationship with Customers

The Group is committed to providing premium raw milk and comprehensive ruminant farming solutions to its customers. To achieve the Group’s strategic goals and to consolidate the Group’s long-term advantages of “the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout, and efficient operation”, the Group will aim to continuously improve its products and services, and to provide our customers with timely, convenient and diversified premium products, solutions and services to better satisfy customers’ needs, and empower the revitalisation of China’s dairy industry.



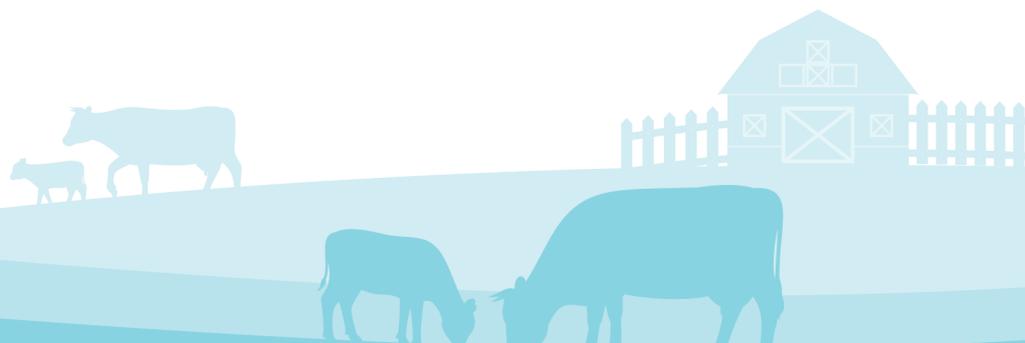
# Report of Directors

## Relationship with Suppliers

The Group has implemented strict procurement policies for selecting and managing cooperative suppliers to ensure safe, reliable and high-quality supplies. The Group evaluates suppliers based on their market reputation and ranking, industry experience, quality control system, and source control measures, and conducts thorough sample tests or on-site inspections on feed ingredients and forage grass suppliers to ensure that suppliers and their products meet the quality standards of the Group. The Group also enhances the capability of its suppliers through various means to achieve the long-term stable cooperation between the Group and its suppliers. In addition, the Group actively explores value-added business opportunities with strategic partners, enhances its relationships with suppliers to create a “sustainable win-win ecosystem”. The Group has incorporated human rights principles into our Supplier Code of Conduct, and requires suppliers not to discriminate on the grounds of race, colour, disability, nationality or sexuality in hiring and employment matters.

## Relationship with Employees

The Group always adheres to the people-oriented concept, strictly complies with the requirements of national laws and regulations, formulates sound internal management systems and procedures, and actively safeguards the rights and interests of employees in employment and recruitment, remuneration and welfare, working hours and holidays, etc. The Group supports and respects human rights principles and rights that are internationally recognised, such as the International Bill of Human Rights, the International Labour Conventions, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation and Guiding Principles for Business and Human Rights. We also formulated and made public the Human Rights Policy, committing to adhering to the United Nations’ sustainable development goals in its business operation. The immutable goal of its human rights development is to safeguard the employees’ interest, with an aim to promote the openness, inclusiveness and prosperity of the value chain. The Group conducts business operations with integrity, openness and respect for human rights to contribute to the realization of the United Nations’ sustainable development goals and to avoid infringing on other persons’ human rights; puts emphasis on production safety and employee health, and actively establishes sound production safety and occupational health management systems, striving to create a safe and healthy working environment for employees; attaches great importance to the cultivation of talents, and continuously improves the management on employee training, to promote the long-term development of employees and the Company; and to practice our caring for employees, the Group also implements work priorities in employee care, featured activities, democratic communications and other work and improves its labour union management platform, faithfully caring for employees. For the details of the relationship between the Group and its employees, please refer to the section headed “Employee and Remuneration Policy”, “Diversity of the Board” and “Diversity of Employees” of this annual report.



# Report of Directors

## Financial Summary

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 202 of this annual report. This summary does not form part of the audited consolidated financial statements.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

## Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 52 to the consolidated financial statements.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 17 to the consolidated financial statements.

## Share Capital and Shares Issued

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 41 to the consolidated financial statements.

## Donation

During the year Reporting Period, the Group made charitable donations of approximately RMB0.9 million (2022: RMB3 million).



# Report of Directors

## Debenture Issued

The Group did not issue any debenture during the Reporting Period.

## Equity-linked Agreements

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

## Dividends

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

## Permitted Indemnity

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

## Distributable Reserves

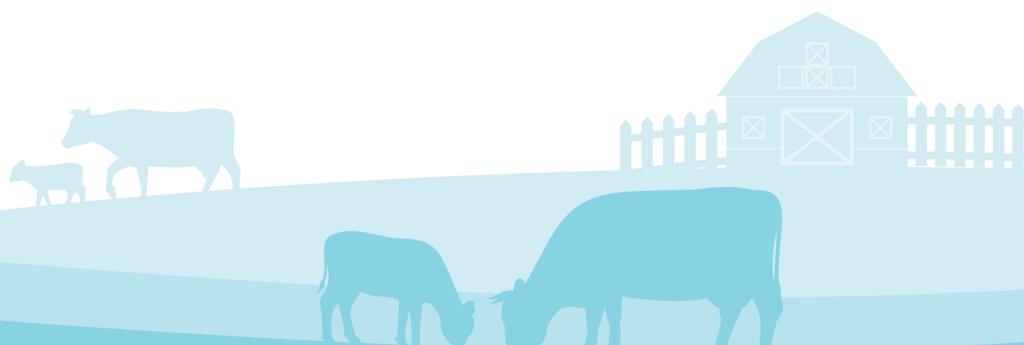
The Company may pay a dividend out of either profits or share premium, provided that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

As at December 31, 2023, the Company had distributable reserves of RMB5,326 million (2022: RMB6,025 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 101 and in Note 53 to the consolidated financial statements, respectively.

## Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at December 31, 2023 are set out in Note 35 to the consolidated financial statements.



## Report of Directors

### Directors' Service Contracts

Each of the executive Directors has entered into a service contract with our Company. The initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice.

Each of the non-executive Directors has entered into a service contract and each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their service contracts or appointment letters shall commence from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

The above appointments are always subject to the provisions of retirement and re-election of directors under the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### Directors' Interests in Transactions, Arrangements or Contracts of Significance

Except the continuing connected transactions disclosed in the Prospectus and in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

### Contracts with Controlling Shareholder

As at the Latest Practicable Date, each of Yili, PAG, Mr. Shan Weijian and their controlled corporations (details of which are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this annual report) was a controlling shareholder of the Company. Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, there was no (i) contract of significance between the Group or any of the Company's controlling shareholders or their subsidiaries or (ii) contract of significance for the provision of services to the Group by any of the Company's controlling shareholders or their subsidiaries during the Reporting Period.



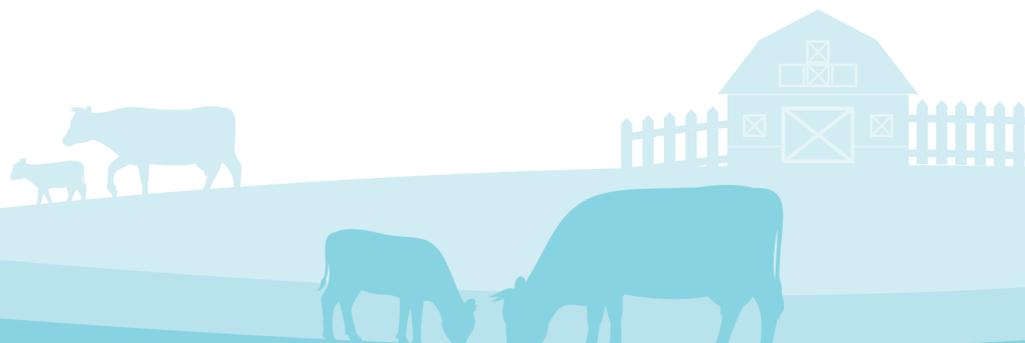
# Report of Directors

## Management Contracts

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any of Its Associated Corporations

As at December 31, 2023, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required 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 which (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.



## Report of Directors

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2023, so far as is known to any Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares <sup>(1)</sup>	Percentage of issued share capital (%) <sup>(2)</sup>
Yili <sup>(3)</sup>	Interest in controlled corporations	1,320,800,000(L)	34.80(L)
China Youran Dairy Holding Limited <sup>(3)</sup>	Beneficial interest	800,000,000(L)	21.08(L)
Jingang <sup>(3)</sup>	Beneficial interest	520,800,000(L)	13.72(L)
PAG <sup>(4)</sup>	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
Pacific Alliance Group Limited <sup>(4)</sup>	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
Shan Weijian <sup>(4)</sup>	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
PAG Capital Limited <sup>(4)</sup>	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
PAG Dairy GP I Limited <sup>(4)</sup>	Interest in controlled corporations	822,602,530(L)	21.67(L)
PAG Dairy I LP <sup>(4)</sup>	Interest in controlled corporations	822,602,530(L)	21.67(L)
PAG II <sup>(4)</sup>	Beneficial interest	822,602,530(L)	21.67(L)
PAG Asia Capital GP I Limited <sup>(4)</sup>	Interest in controlled corporations	371,583,651(L)	9.79(L)
PAG Asia I LP <sup>(4)</sup>	Interest in controlled corporations	371,583,651(L)	9.79(L)
PAG I <sup>(4)</sup>	Beneficial interest	371,583,651(L)	9.79(L)
Meadowland Investment Limited Partnership <sup>(5)</sup>	Beneficial interest	564,982,819(L)	14.89(L)

Notes:

1. The letter "L" denotes the Shareholder's long position in such Shares.
2. The percentages are calculated on the basis of 3,795,404,000 Shares in issue as at December 31, 2023.



## Report of Directors

3. China Youran Dairy Holding Limited directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of China Youran Dairy Holding Limited and Jingang is a wholly-owned subsidiary of Yili. Accordingly, Yili was deemed to be interested in an aggregate of 1,320,800,000 Shares.
4. PAGAC Yogurt Holding I Limited ("PAG I") directly held 371,583,651 Shares in the long position, and PAGAC Yogurt Holding II Limited ("PAG II") held 822,602,530 Shares in the long position. PAG I and PAG II are wholly-owned subsidiaries of funds managed by PAG Capital Limited. PAG I is a wholly-owned subsidiary of PAG Asia I LP, whose general partner is PAG Asia Capital GP I Limited. Accordingly, PAG Asia I LP and PAG Asia Capital GP I Limited were deemed to be interested in 371,583,651 Shares. PAG II is a wholly-owned subsidiary of PAG Dairy I LP, whose general partner is PAG Dairy GP I Limited. Accordingly, PAG Dairy I LP and PAG Dairy GP I Limited were deemed to be interested in an aggregate of 822,602,530 Shares. PAG Capital Limited is controlled as to 55% by Pacific Alliance Group Limited and as to 45% by Mr. Shan Weijian. Pacific Alliance Group Limited is wholly controlled by PAG. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in an aggregate of 1,194,186,181 Shares in the long position.
5. Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, as at December 31, 2023, so far as the Directors are aware, no other parties had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company, pursuant to section 336 of the SFO.

### Directors' Rights to Acquire Shares or Debenture

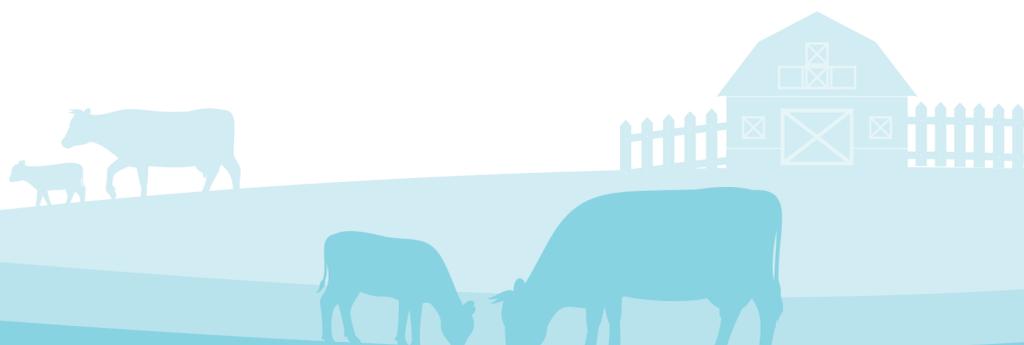
Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

### Emolument Policy and Directors' Remuneration

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to, among others, formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 14 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB5.5 million (as set out in Note 14 to the consolidated financial statements).



## Report of Directors

### Directors' Interests in Competing Business

During the Reporting Period, none of our Directors controlled a business similar to principal business of the Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

### Continuing Connected Transactions

Set out below is a table in relation to the continuing connected transactions conducted by the Group during the Reporting Period and required under the Listing Rules to be disclosed in the annual report and consolidated financial statements of the Company.

Continuing Connected Transactions	Proposed Annual Cap in 2023/ The maximum amount of daily deposit balance (RMB million)	Actual Transaction/ The actual maximum amount of daily deposit balance Amount in 2023 (RMB million)
<i>Partially-exempt continuing connected transactions</i>		
<b>Dairy Products Purchase Framework Agreement</b> Purchase of dairy products from Yili Group	155	39.0
<b>Financial Services Framework Agreement</b> Provision of deposit services by Yili Finance Company to the Group	750	614.9
<b>Shared Financial Services Framework Agreement</b> Provision of accounting related shared financial services by Yili to the Group	13	11.1
<b>Purchase and Sale Framework Agreement</b> Provision of comprehensive ruminant farming solutions products and services to YouYuan Farm	189	186.1
<i>Non-exempt continuing connected transactions</i>		
<b>Raw Milk Purchase and Sale Framework Agreement</b> Sale of raw milk to Yili Group	15,000	12,447.2



# Report of Directors

## 1. Dairy Products Purchase Framework Agreement

The Company and Yili entered into a dairy products purchase framework agreement on May 17, 2021, pursuant to which Yili Group would supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group on a long-term basis. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company.

The Dairy Products Purchase Framework Agreement has a term of three years commencing from the Listing Date, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. The renewal of the Dairy Products Purchase Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

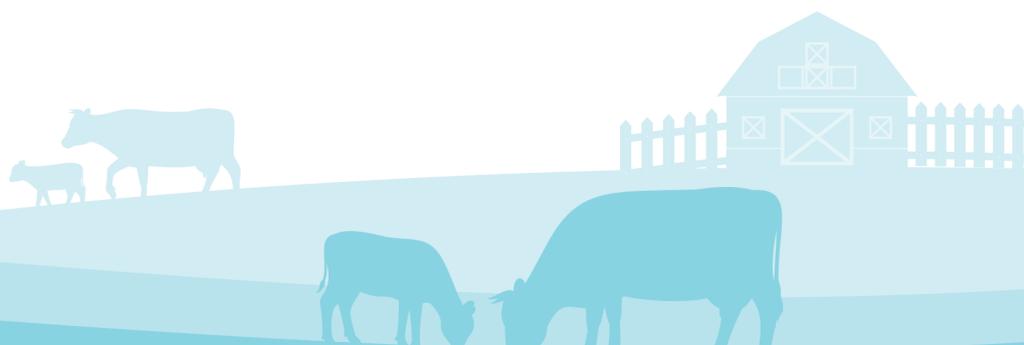
Further details of the Dairy Products Purchase Framework Agreement and its renewal are set out in the Prospectus and the announcements of the Company dated August 29, 2022 and April 24, 2023.

## 2. Financial Services Framework Agreement

On September 28, 2021, the Company entered into the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including the deposit services, settlement services (including collection, payment or internal settlement services and other settlement services approved by the National Administration of Financial Regulation or other applicable regulatory authorities), and other financial services (including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by the National Administration of Financial Regulation or other applicable regulatory authorities). As Yili is a controlling shareholder of the Company, Yili and its associates are connected persons of the Company under the Listing Rules. As Yili Finance Company is a subsidiary of Yili, Yili Finance Company is an associate of Yili and accordingly a connected person of the Company under the Listing Rules.

The Financial Services Framework Agreement has a term commencing from September 28, 2021 to December 31, 2023, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. The deposit services under the renewal of the Financial Services Framework Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the Financial Services Framework Agreement and its renewal are set out in the announcements of the Company dated September 28, 2021, April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.



## Report of Directors

### 3. Shared Financial Services Framework Agreement

On November 28, 2022, the Company entered into the Shared Financial Services Framework Agreement with Yili, pursuant to which Yili shall provide accounting related shared financial services to the Group. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The Shared Financial Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The Shared Financial Services Framework Agreement is effective from January 1, 2023 until December 31, 2025.

Further details of the Shared Financial Services Framework Agreement are set out in the announcement of the Company dated November 28, 2022.

### 4. Purchase and Sale Framework Agreement

On November 28, 2022, the Company entered into the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm shall purchase comprehensive ruminant farming solutions products and services from the Group. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. YouYuan Farm is a non-wholly-owned subsidiary of Yili and therefore also a connected person of the Company. The Purchase and Sale Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The Purchase and Sale Framework Agreement is effective from January 1, 2023 until December 31, 2025.

Further details of the Purchase and Sale Framework Agreement are set out in the announcement of the Company dated November 28, 2022.

### 5. Raw Milk Purchase and Sale Framework Agreement

On May 17, 2021, our Company and Yili entered into the Raw Milk Purchase and Sale Framework Agreement, pursuant to which our Group would provide long-term supply of raw milk to Yili Group. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company under the Listing Rules.

The Raw Milk Purchase and Sale Framework Agreement has a term of three years commencing from the Listing Date, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. The renewal of the Raw Milk Purchase and Sale Framework Agreement is subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the Raw Milk Purchase and Sale Framework Agreement are set out in the Prospectus, the announcements of the Company dated April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.



## Report of Directors

### Confirmation from Independent Non-Executive Directors

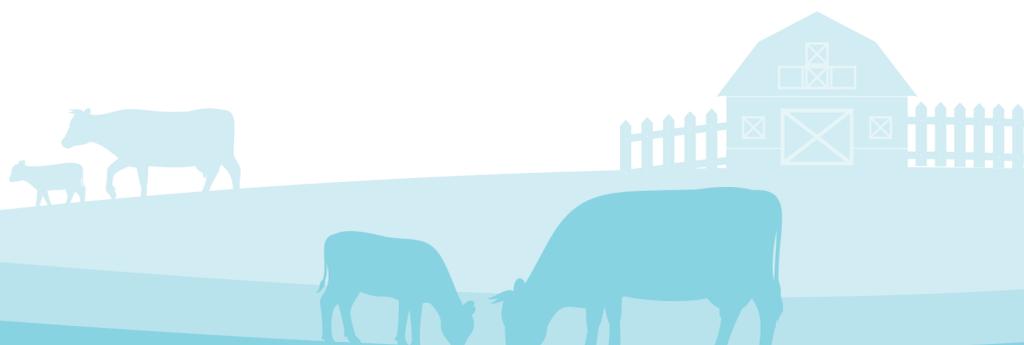
All the above continuing connected transactions for the Reporting Period have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that each of the continuing connected transactions has been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### Confirmations from the Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions conducted during the Reporting Period: (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A summary of all significant transactions with related parties (the "Related Party Transactions") entered into by the Group during the Reporting Period is contained in Note 47 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out above which are disclosed pursuant to the Listing Rules, none of the Related Party Transactions disclosed in Note 47 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

The Company has complied with the requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions conducted by the Group during the Reporting Period.



## Report of Directors

### Convertible Notes

In November 2020, the Company issued convertible notes in the aggregate principal amount of US\$460 million to several pre-IPO investors with a conversion price of US\$0.44605 per Share. As of December 31, 2022, the principal amount of outstanding convertible notes was US\$174 million.

The Company redeemed the principal amount of outstanding convertible notes of US\$174 million during the Reporting Period.

For further details, please refer to the section headed “History, Reorganization and Group Structure – The Pre-IPO Investments – Issuance of Convertible Notes” of the Prospectus, the announcements of the Company dated November 28, 2022 and May 17, 2023 and Note 40 to the consolidated financial statements.

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

During the Reporting Period, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

### Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.



## Report of Directors

### Use of Proceeds from Listing

The Shares were listed on the Main Board of the Stock Exchange on June 18, 2021. The net proceeds from the Global Offering were approximately HK\$3,270 million (approximately RMB2,711 million), after deducting the underwriting commissions and offering expenses paid or payable, which will be gradually utilized for the purposes set out in the Prospectus.

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. Set out below is the status of use of net proceeds from the Global Offering as at December 31, 2023.

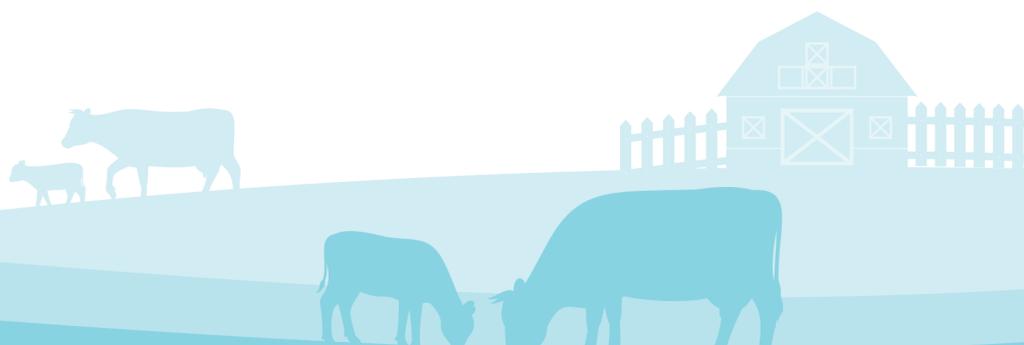
Purpose	% of net proceeds (%)	Net proceeds (RMB million)	Utilized amount as at December 31, 2023 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at December 31, 2023 (RMB million)
Funding our investment projects over the next two years, including building our dairy farms under construction, new dairy farms and a feed mill and purchasing necessary facilities and equipment, to meet our increasing business demands and achieve sustainable growth through economies of scale	75	2,033	1,908	335	125
Purchasing dairy cows for our dairy farms	15	407	407	–	–
Working capital and general corporate purposes	10	271	271	–	–
<b>Total</b>	<b>100</b>	<b>2,711</b>	<b>2,586</b>	<b>335</b>	<b>125</b>

The Company expects to apply the remaining unutilized net proceeds of RMB125 million for the Group's dairy farms under construction by December 31, 2024.

### PUBLIC FLOAT

As disclosed in the Prospectus, the Stock Exchange has granted the Company a waiver (the "Waiver") from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, which requires that at least 25% of an issuer's total issued share capital must be held at all times by the public. Pursuant to the Waiver, the Company's minimum public float shall be 18.85% of the Company's total issued share capital.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company had maintained the aforementioned prescribed percentage of minimum public float under the Waiver. For further information on the Waiver, please refer to pages 101 and 102 of the Prospectus and the company information sheet of the Company dated March 30, 2022.



# Report of Directors

## AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Registered Public Interest Entity Auditors, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company renewed the Dairy Products Purchase Framework Agreement with Yili, the Raw Milk Purchase and Sale Framework Agreement with Yili and the Financial Services Framework Agreement with Yili Finance Company on April 24, 2023 and the terms of each of the aforementioned agreements commenced January 1, 2024 and will expire on December 31, 2026. Further details of the aforementioned agreements are set out in the announcement of the Company dated April 24, 2023 and the circular of the Company dated April 25, 2023.

On February 19, 2024 (after trading hours of the Stock Exchange), the Company and Inner Mongolia Youran entered into a framework agreement, a share transfer agreement and a subscription agreement with China Genetics Holdings, Ltd. ("**China Genetics**") and its indirect wholly-owned subsidiary Huaxia Genetics Dairy Xinghua Co. Ltd ("**Huaxia Genetics**"). Pursuant to the aforementioned agreements, (1) Inner Mongolia Youran conditionally agreed to purchase the 78,100,000 Shares of SKX from Huaxia Genetics; and (2) the Company conditionally agreed to allot and issue not more than 97,323,833 Shares to China Genetics. Further details of the aforementioned agreements are set out in the announcement of the Company dated February 19, 2024.

Save as disclosed in this annual report, there are no other significant events that might affect the Group since December 31, 2023 and up to the Latest Practicable Date.

By the order of the Board

**Mr. Wu Xiang**

*Chairman and Non-executive Director*

Hong Kong

March 27, 2024



## Biographical Details of Directors and Senior Management

The Board consists of two executive Directors, four non-executive Directors and three independent non-executive Directors.

### Directors

#### Executive Directors

**Mr. Yuan Jun (袁軍)**, aged 44, was appointed as an executive Director and the president of the Company with effect from July 22, 2022. Mr. Yuan has over 25 years of experience in dairy industry and is primarily responsible for our Group's overall operation and management.

Mr. Yuan joined Yili Group in July 1998 and started his career in the liquid milk division (液態奶事業部) of Yili Group, and then he served as the production manager, assistant to the factory head, assistant to the general manager and general manager of various subsidiaries under the liquid milk division and the cold drink division (冷飲事業部) of Yili Group from May 2000 to February 2011. Mr. Yuan successively served as the production manager, assistant to the general manager and deputy general manager of the production management department under the cold drink division of Yili Group from February 2011 to July 2016. He successively served as the deputy general manager of the raw milk division, deputy general manager and senior deputy general manager of the liquid milk division of Yili Group (in charge of the overall raw milk business of Yili Group) from August 2016 to July 2022.

Mr. Yuan has also served as a director and president of Inner Mongolia Youran, the Company's major operating subsidiary in the PRC, and he served as a non-executive director of SKX, a subsidiary of the Company in the PRC, since February 2020.

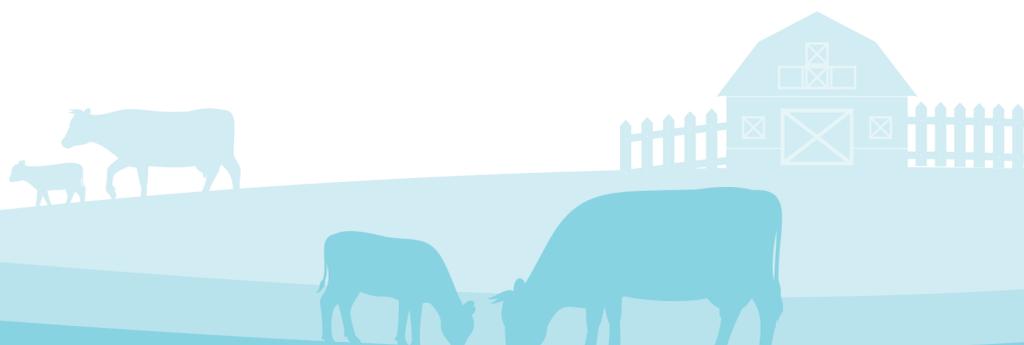
Mr. Yuan graduated from Tianjin University of Science & Technology (天津科技大學) in 2005, majoring in food science and engineering.

**Mr. Dong Jiping (董計平)**, aged 43, joined our Group since November 2015, and was appointed as Director of our Company on August 24, 2020 and designated as an executive Director and appointed as vice president on November 15, 2020. Mr. Dong has over 19 years of experience in dairy industry and is primarily responsible for the management of our Group's legal compliance and external relations.

Mr. Dong joined Yili Group in July 2004 and started his career at the liquid milk division (液態奶事業部) of Yili Group, where he was involved in the procurement business. He worked as the secretary to the president's office of Yili Group from June 2005 to April 2012. Subsequently, he worked as the planning director (企劃總監) of strategy management department of Yili Group from April 2012 to November 2015.

Mr. Dong is also a director and the vice president of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC and a director of Inner Mongolia Shengde Hetai Business Co., Ltd., a subsidiary of the Company.

Mr. Dong obtained his bachelor's degree in biotechnology from Northeast Forestry University (東北林業大學) in July 2004.



## Biographical Details of Directors and Senior Management

### Non-executive Directors

**Mr. Wu Xiang (武翔)**, aged 47, was appointed as a non-executive Director and the chairman of our Company with effect from July 28, 2023. Mr. Wu has over 23 years of experience in the dairy industry and is primarily responsible for strategic planning of our Group and the management of the Board.

Mr. Wu joined Yili Group in May 2000. He started his career at the liquid milk division (液態奶事業部) of Yili Group. Mr. Wu then held various positions, such as the technical director, factory head and general manager, at several subsidiaries of the liquid milk division of Yili Group from May 2001 to September 2012. Mr. Wu successively served as the deputy director and director of the quality management department of the liquid milk division of Yili Group from September 2012 to February 2017. Mr. Wu successively worked as the head of the production system of the milk powder division (奶粉事業部), the deputy general manager and general manager of the cold drink division (冷飲事業部), and the general manager of the yogurt division (酸奶事業部) of Yili Group from March 2017 to July 2023. He has been appointed as the general manager of the liquid milk division of Yili Group since July 2023.

Mr. Wu is also a director and the chairman of Inner Mongolia Youran, our principal operating subsidiary in the PRC. He has also served as a non-executive director of SKX, a subsidiary of the Company in the PRC, since August 2023, and was designated as the chairman of SKX in September of the same year.

Mr. Wu graduated from Inner Mongolia Agricultural University (內蒙古農業大學) in 1999, majoring in food engineering.

**Mr. Xu Jun (徐軍)**, aged 52, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr. Xu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Xu joined Yili Group in August 1996. He worked as a director of the corporate management division of the dairy food limited (奶食品有限責任公司) from February 1998 to May 2000, as a director of the corporate management division of the department and a human resource director of the human resource division of liquid milk division (液態奶事業部) from June 2000 to March 2005, as the vice general manager of the strategic sourcing department (戰略採購部) from April 2005 to December 2005, as the general manager of the cold drink department (冷飲事業部) from January 2006 to September 2012, as the president of the milk powder department (奶粉事業部) from September 2012 to December 2016, as the general manager of the human resource department (人力資源部) from December 2016 to July 2017. Subsequently, he has been the assistant to the president (總裁助理) of Yili Group since August 2017.

Mr. Xu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC.

Mr. Xu obtained his bachelor's degree in economic management from the University of Inner Mongolia (內蒙古大學) in July 1996.



## Biographical Details of Directors and Senior Management

**Mr. Xu, Zhan Kevin (許湛)**, aged 42, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr Xu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Xu served at Morgan Stanley Asia Limited from January 2006 to August 2007. He served as an associate at TPG Capital Limited from August 2007 to June 2009, a senior associate at Apax Partners Hong Kong Limited from November 2009 to August 2011, and a managing director at PAG Asia Capital since September 2011. Mr. Xu serves as a non-executive director of Alphamab Oncology (康寧傑瑞生物製藥), a company listed on the Stock Exchange (stock code: 9966) since November 2018.

Mr. Xu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC.

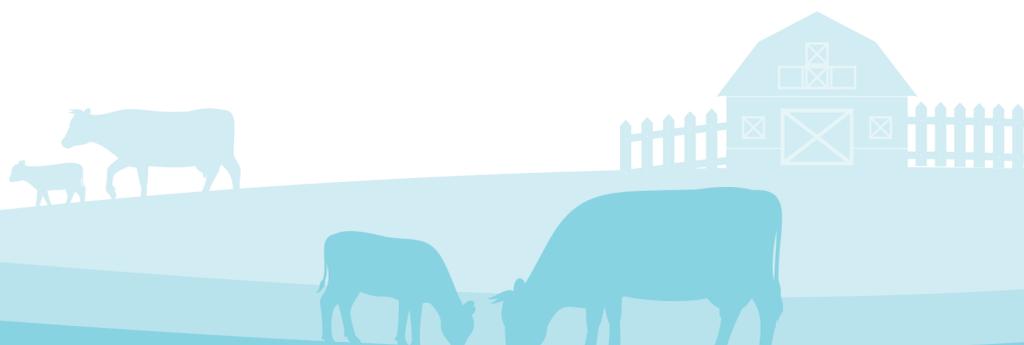
Mr. Xu obtained his bachelor's degree in electronic engineering from Zhejiang University (浙江大學) in June 2003 and his master's degree of management science and engineering from Stanford University in January 2006.

**Mr. Qiu Zhongwei (邱中偉)**, aged 55, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr. Qiu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Qiu started his career at China Huaneng Group Corporation (中國華能集團公司), a company listed on the Shanghai Stock Exchange (stock code: 600011). From March 2000 to October 2004, he served as the vice president and chairman of Yintai Holdings Limited (銀泰控股公司), from January 2005 to March 2015, he served as the managing director of the management committee and general manager of the strategic research and business development department of Beijing Hony Yuanfang Investment Consultant (北京弘毅遠方投資顧問). He has been the president and managing director of PAG Asia Capital since April 2015. Mr. Qiu has served as a director of Beijing Investment Development Co. Ltd. (京投發展股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600683) since December 2017. He has also been appointed as a non-executive Director of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a company listed on the Stock Exchange (stock code: 9977) since January 2023.

Mr. Qiu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC, and he has also served as a director of SKX, a subsidiary of the Company in the PRC, since February 2020.

Mr. Qiu obtained his bachelor's degree in engineering from Xi'an Jiaotong University (西安交通大學) in July 1990 and his master's degree in business administration from Northwestern University and Hong Kong University of Science and Technology in November 2003.



## Biographical Details of Directors and Senior Management

### Independent Non-executive Directors

**Ms. Xie Xiaoyan (謝曉燕)**, aged 53, has been an independent non-executive Director of the Company since June 7, 2021. Ms. Xie is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Xie worked at Inner Mongolia Dahua Certified Public Accountant (內蒙古大華會計師事務所, previously known as Inner Mongolia Certified Public Accountant (內蒙古會計師事務所)) as auditor, project manager, principal accountant and senior accounting manager from January 1997 to July 2006. Ms. Xie has extensive experience in internal control and risk management. Ms. Xie has been working at Inner Mongolia University of Technology (內蒙古工業大學) responsible for the teaching and research works for undergraduate and graduate students since August 2006 and is currently a professor of the Department of Accounting of School of Economic and Management of Inner Mongolia University of Technology (內蒙古工業大學).

Ms. Xie has served as an independent director of Inner Mongolia Junzheng Energy & Chemical Group Co. Ltd. (內蒙古君正能源化工集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601216)) from June 2014 to June 2020; and an independent director of Inner Mongolia Jinyu Group Co., Ltd. (內蒙古金宇集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600201)) from May 2007 to May 2013. She has also served as an independent director of Inner Mongolia Datang Pharmaceutical Co. (內蒙古大唐藥業股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 836433)) since April 14, 2020, and Jinhe Biotechnology CO., LTD. (金河生物科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002688)) since April 2020.

Ms. Xie is a national advanced accountant (全國先進會計工作者), and obtained the Second Prize of Government Award for Outstanding Achievements in Philosophy and Social Sciences (哲學社會科學優秀成果政府獎二等獎) presented by the government of Inner Mongolia Autonomous Region. Ms. Xie is currently a Chinese certified public accountant, certified tax agent, senior accountant and qualified with a certificate of independent directorship.

Ms. Xie graduated from the University of Inner Mongolia (內蒙古大學) in 2003, and obtained a master degree in political economics from the Normal University of Inner Mongolia (內蒙古師範大學) in 2006 and a doctor degree of agricultural economic management from the Agricultural University of Inner Mongolia (內蒙古農業大學) in 2010.



## Biographical Details of Directors and Senior Management

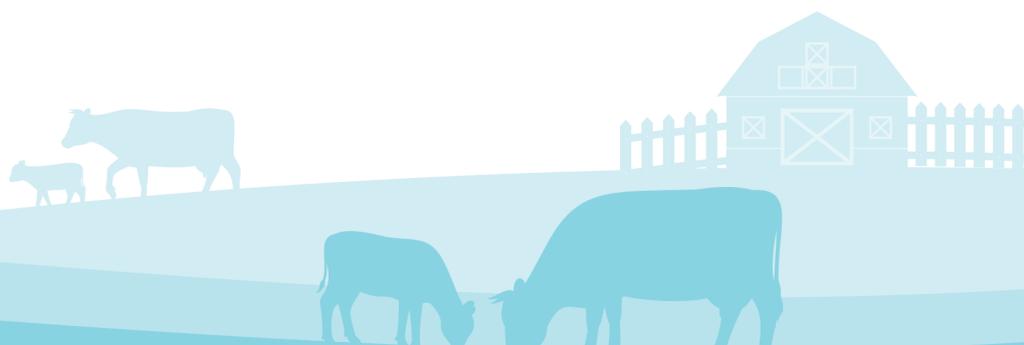
**Mr. Yao Feng (姚峰)**, aged 63, has been an independent non-executive Director of the Company since June 7, 2021. Mr. Yao is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Yao held the position of deputy director at the integrated planning department of the Ministry of Finance of the PRC, a vice president of the securities department and general manager of enterprise management department of China Economic Development Trust & Investment Corporation (中國經濟開發信託投資公司) from March 1993 to April 1997, a vice president of the financial and securities department of China National Travel Service (HK) Group Corporation (香港中旅(集團)有限公司) from April 1997 to July 1998, and a vice general manager of China Travel Financial Investment Holdings Co., Limited (香港中旅金融投資有限公司) from July 1998 to June 1999.

Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013 and has abundant experience in risk management, including the director of institution regulatory department, a party committee member and deputy officer of Guangzhou Securities Regulatory Office, a party committee member and deputy director of Guangzhou Regulatory Bureau, a deputy officer of the risk management office for securities companies, and an inspector and deputy officer of the accounting department from January 2001 to September 2011, and a commissioner of Shanghai Supervision Office of the Commissioner from September 2011 to May 2013. Mr. Yao successively served in China Association of Public Companies (中國上市公司協會) from May 2013 to April 2016 as the secretary of the party committee, the executive vice-chairman and legal representative. Mr. Yao served as the vice-chairman and legal representative of China Association of Public Companies from April 2016 to April 2017. Mr. Yao served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019. Mr. Yao served as the deputy secretary of the party committee and the head of supervisors of China Association of Public Companies from June 2019 to September 2019. Mr. Yao has served as an independent non-executive director of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (a company listed on the Stock Exchange (stock code: 1905)) from March 2020.

Mr. Yao was a member of the first session of self-regulatory committee of the Shenzhen Stock Exchange from December 2014 to December 2017 and an adjunct professor of China University of Political Science and Law (中國政法大學) from June 2015 to June 2018. Mr. Yao has been a council member of the Business School of China University of Political Science and Law since May 2017.

Mr. Yao obtained a bachelor's degree in national economic planning from Hubei Institute of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1983 and a masters' degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law) in June 1997.



## Biographical Details of Directors and Senior Management

**Mr. Shen Jianzhong (沈建忠)**, aged 60, has been an independent non-executive Director since June 7, 2021. Mr. Shen is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has been working at China Agricultural University since 1988 and is currently the dean of the school of veterinary medicine (動物醫學院) of China Agricultural University (中國農業大學), a director of National Key Laboratory of Veterinary Public Health and Safety (獸醫公共衛生安全全國重點實驗室), a director of the national assessment center for safety of animal drugs (國家獸藥安全評價中心), and an expert of the Joint Food and Agriculture Organization of the United Nations and WHO Expert Committee Meeting on Food Additives (聯合國糧食與農業組織和世衛組織食品添加劑聯合專家委員會會議).

Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology (國家科技進步二等獎) in 2006 and the second prize of the National Award for Technological Invention (國家技術發明二等獎) in 2015 and was elected as an academician of the Chinese Academy of Engineering (中國工程院院士) in 2015. Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology again in 2020.

Mr. Shen obtained a master's degree of agriculture from Beijing Agricultural University (北京農業大學) in 1988 and a doctorate degree of science from China Agricultural University (中國農業大學) in 1997.

### Senior Management

**Mr. Yuan Jun (袁軍)**, aged 44, is the executive Director and president of our Company. Please see above for further details.

**Mr. Dong Jiping (董計平)**, aged 43, is the executive Director and vice president of our Company. Please see above for further details.

**Mr. Jiang Guangjun (姜廣軍)**, aged 50, joined our Group in December 2019, and was appointed as the vice president of our Company on November 15, 2020. Mr. Jiang has over 25 years of experience in dairy industry and is primarily responsible for the Group's quality, safety and environmental, supply security and other management work.



## Biographical Details of Directors and Senior Management

Mr. Jiang started his career at the cold drink division (冷飲事業部) of Yili Group in July 1998 and served as a quality inspector at the chocolate egg roll workshop (巧克力蛋卷車間) from July 1998 to January 2000. He then worked at the No.2 workshop of Jinchuan Factory (金川廠) under liquid milk division (液態奶事業部) of Yili Group for various positions, including as section chief from January 2000 to January 2001, as production manager from January 2001 to September 2002, and as the assistant to the factory head from September 2002 to February 2004. He then served as the general manager at Xilinhote Branch of liquid milk division (液態奶事業部) of Yili Group from February 2004 to September 2004, the general manager at Qiqihar Branch of liquid milk division (液態奶事業部) of Yili Group from October 2004 to September 2005, the general manager at Baotou Yili Dairy Co., Ltd. (包頭伊利乳業有限責任公司) under liquid milk division (液態奶事業部) of Yili Group from October 2005 to November 2010. He was the president of Ningxia Yili Dairy Co., Ltd. (寧夏伊利乳業有限責任公司) under liquid milk division (液態奶事業部) of Yili Group from November 2010 to August 2012, and was then promoted and worked as its senior president from August 2012 to August 2013. He served at the supply department in liquid milk division (液態奶事業部) of Yili Group, as the deputy supervisor in supply (person in charge) from August 2013 to February 2018, and as the supervisor in supply from February 2018 to December 2018. He worked as the vice president at the liquid milk division (液態奶事業部) of Yili Group from December 2018 to December 2019.

Mr. Jiang is the vice president of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC, since December 2019, and he has been a director of SKX, a subsidiary of the Company in the PRC, since September 2020, and he has also been a chairman of Youmu Investment Management since June 2022.

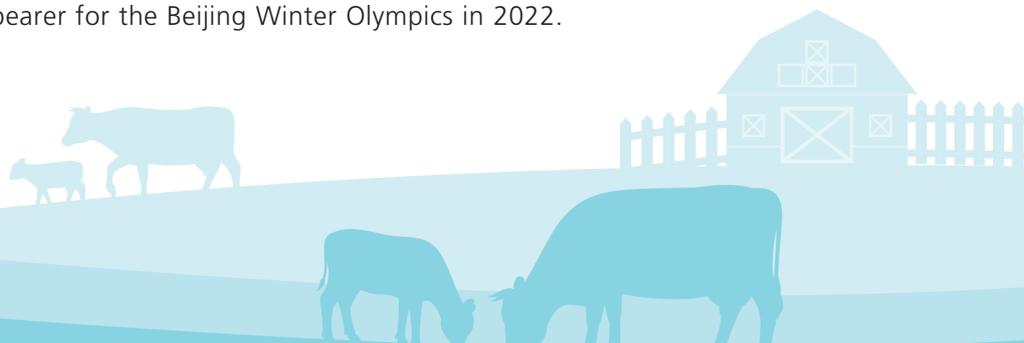
Mr. Jiang obtained his bachelor of engineering degree, majoring in food science and engineering from Inner Mongolia Agriculture University (內蒙古農業大學) in July 1998.

**Mr. Xu Yanfei (許燕飛)**, aged 43, joined our Group in August 2008 and was appointed as a vice president of our Company on November 15, 2020. Mr. Xu has over 17 years of experience in farm management, and is responsible for overseeing and managing the overall operations of our Group's farms.

Mr. Xu started his career in Yili Group's raw milk division and served as the quality controller and system operator of the raw milk division from 2006 to 2007; and as the general manager of project management department of the raw milk division from 2007 to 2008. From 2008 to 2017, he served as a veterinarian, the group leader of the milking department, the deputy manager of the milking department, the manager of the milking department, the manager of the feeding department, the assistant to dairy farm manager and the dairy farm manager, during which he was assigned to study for one year at a farm of 10,000 cows in Florida, U.S. from 2011 to 2012. From July 2017 to December 2018, he served as the assistant general manager of the husbandry unit of Inner Mongolia Youran, a principal operating subsidiary of the Company in China; the vice president of Inner Mongolia Youran and was responsible for husbandry business from December 2018 till now.

Mr. Xu is also a director of a number of subsidiaries of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC.

Mr. Xu obtained his bachelor's degree in agriculture from the Agricultural University of Inner Mongolia (內蒙古農業大學) in June 2006, majoring in animal medicine. He was awarded May 1 Labour Medal in the Inner Mongolia Autonomous Region (內蒙古自治區五一勞動獎章) and "Labour Model of Hohhot" (呼和浩特市勞動模範), and was the torchbearer for the Beijing Winter Olympics in 2022.



## Biographical Details of Directors and Senior Management

**Mr. Zhuang Yanxiao (莊燕曉)**, aged 40, joined our Group in 2023 and was appointed as a vice president of our Company on March 27, 2024. Mr. Zhuang has over 18 years of experience in dairy industry, and is responsible for overseeing and managing the overall operation of our Group's feed business.

Mr. Zhuang started his career in the raw milk division of Yili Group in 2006, and then served as the assistant to the regional quality manager, the regional manager of raw milk, the quality manager of milk source region and the regional manager of raw milk respectively from August 2008 to June 2017. From June 2017 to August 2020, Mr. Zhuang served as the deputy director and director of inspection of the liquid milk source inspection department of Yili Group, respectively. From September 2020 to December 2023, Mr. Zhuang served as the general manager of Mengjin milk source region of Yili Group's liquid milk division.

Mr. Zhuang is also a director of a number of subsidiaries of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC.

Mr. Zhuang graduated from Jilin Agricultural Science and Technology University (吉林農業科技學院) (formerly known as Jilin Specialized College (吉林特產高等專科學校)) in July 2002, majoring in food science and engineering.

**Mr. Lv Xiongyu (呂雄宇)**, aged 52, joined our Group since January 2022 and was appointed as the vice president and the secretary to the Board of our Group. Mr. Lv has more than 21 years of experience in dairy industry, and is primarily responsible for the work related to the Board office of our Group while in charge of investor affairs and financial management.

From July 1994 to March 2003, Mr. Lv worked in Armed Police of China 5303 Factory (武警五三零三工廠), holding various positions such as statistics, auditing, comprehensive operation and management, etc. From March 2003 to March 2015, he worked in Yili Group, successively serving as the auditor of liquid milk division (液態奶事業部) of Yili Group, the financial manager of Shuozhou Yili Dairy Co., Ltd. (朔州伊利乳業有限責任公司) and Hefei Yili Dairy Co., Ltd. (合肥伊利乳業有限責任公司), the marketing and finance director of the finance department and the assistant to the chief financial officer at liquid milk division (液態奶事業部) of Yili Group; and the deputy marketing and finance director and the budget management director of the financial management department of Yili Group. From April 2015 to August 2019, Mr. Lv worked in our Group, successively serving as the chief financial officer of Inner Mongolia Youran (a principal operating subsidiary of the Company in the PRC) and the assistant deputy director of finance of SKX. He was concurrently appointed as the secretary to the Board of Inner Mongolia Youran since May 2016, and also serving as a director of Inner Mongolia Youran from November 2015 to December 2019; and from August 2019 to January 2022, he worked in Yili Group as the head of its M&A department.

Mr. Lv has also been a director of Youmu Investment Management, a subsidiary of the Company, since June 2022.

Mr. Lv graduated from Inner Mongolia Forestry College in July 1994, majoring in forestry economics and management. He was qualified as an intermediate auditor in October 1998.



# Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for the Company for the Reporting Period.

## Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. During the Reporting Period, the Company had adopted and complied with all the applicable code provisions of the Corporate Governance Code. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain high corporate governance standards.

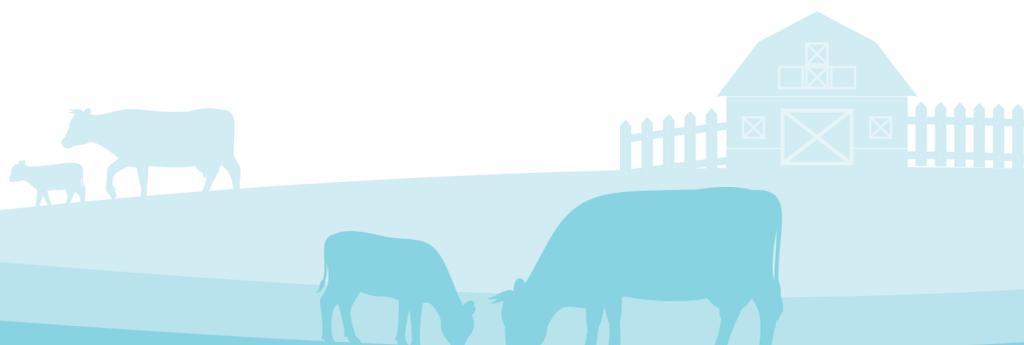
## Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

## BOARD OF DIRECTORS

### Board Composition

During the Reporting Period and as at the Latest Practicable Date, the Board comprised two executive Directors, four non-executive Directors and three independent non-executive Directors.



# Corporate Governance Report

The composition of the Board is as follows:

## Executive Directors

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

## Non-executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)  
(resigned on July 28, 2023)

Mr. Wu Xiang (武翔) (*Chairman*)  
(appointed on July 28, 2023)

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

## Independent non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 67 to 72 of this annual report, in which a diversity of skills, expertise, experience and qualifications of the Directors is set out.

There are no financial, business, family or other material/relevant relationships between the members of the Board.

## Chairman and President

The positions of Chairman and President are held by Mr. Wu Xiang and Mr. Yuan Jun, respectively. The Chairman provides leadership and is responsible for the management of the Board. The President focuses on the Company’s overall operation and management. Their respective responsibilities are clearly defined and set out in writing.



# Corporate Governance Report

## Board Meetings, Committee Meetings and General Meetings

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting
<b>Executive Directors:</b>					
Mr. Yuan Jun	4/4	N/A	N/A	N/A	1/1
Mr. Dong Jiping	4/4	N/A	N/A	N/A	1/1
<b>Non-executive Directors:</b>					
Mr. Zhang Yujun ( <i>for the period from January 1, 2023 to July 28, 2023</i> )	2/2	N/A	N/A	N/A	1/1
Mr. Wu Xiang ( <i>for the period from July 28, 2023 to December 31, 2023</i> )	3/3	N/A	N/A	N/A	N/A
Mr. Xu Jun	4/4	1/1	N/A	N/A	1/1
Mr. Xu, Zhan Kevin	3/4	N/A	1/1	N/A	1/1
Mr. Qiu Zhongwei	4/4	N/A	N/A	2/2	1/1
<b>Independent Non-executive Directors:</b>					
Ms. Xie Xiaoyan	3/4	1/1	N/A	2/2	1/1
Mr. Yao Feng	3/4	N/A	1/1	1/2	0/1
Mr. Shen Jianzhong	3/4	0/1	0/1	N/A	0/1

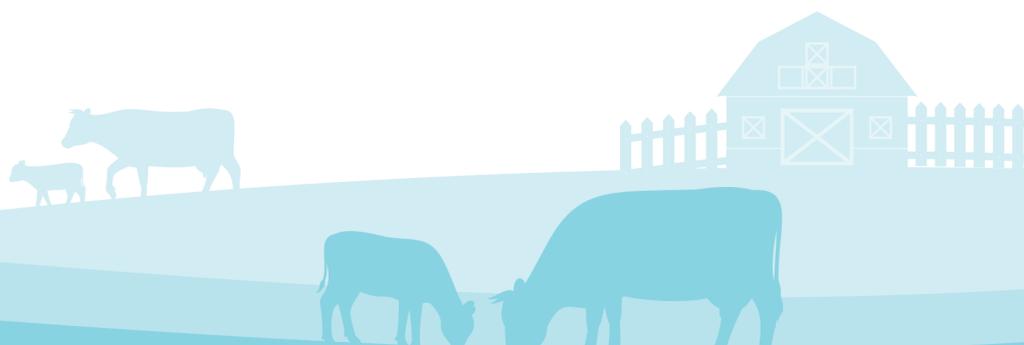
Apart from regular Board meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

During the Reporting Period, the Directors attended the annual general meeting held on May 17, 2023 either in person or online except Mr. Yao Feng and Mr. Shen Jianzhong, both of whom are independent non-executive Directors, due to other personal arrangements.

## Independence of Independent Non-Executive Directors

During the Reporting Period, the Board at all times met the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers them independent.



# Corporate Governance Report

## Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company. The initial term of their respective service contract is from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice. Each of the non-executive Directors has entered into a service contract and each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their service contracts or appointment letters is from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the service contract or appointment letter or by either party giving to the other not less than one month's prior notice in writing.

All the Directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association.

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Any Directors appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Wu Xiang, Mr. Dong Jiping, Mr. Yao Feng and Mr. Shen Jianzhong shall retire at the forthcoming AGM and being eligible, and will offer themselves for re-election.

## Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.



# Corporate Governance Report

## Responsibilities, Accountabilities and Contributions of the Board and Management

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

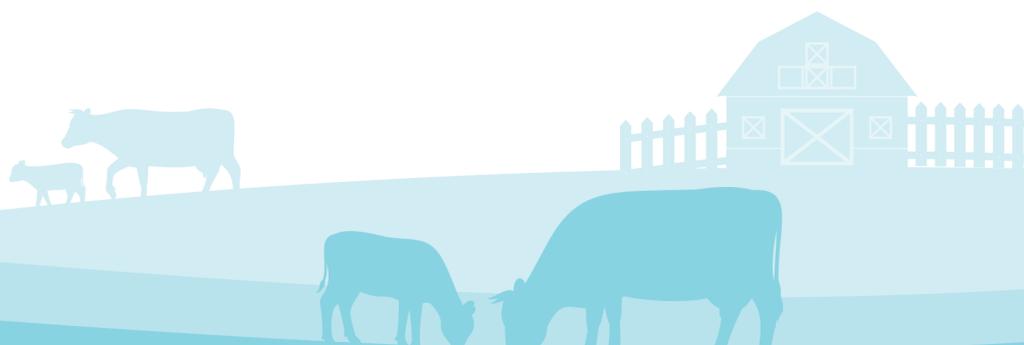
The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees") as detailed in this report.

## Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

## Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. The Audit Committee consists of three members, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Qiu Zhongwei. Mr. Qiu Zhongwei is a non-executive Director and each of Ms. Xie Xiaoyan and Mr. Yao Feng is an independent non-executive Director. Ms. Xie Xiaoyan, being our independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise is the chairperson of the Audit Committee.



## Corporate Governance Report

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee held two meetings to review the Company's annual results, annual report for the year ended December 31, 2022 and the interim results and interim report for the six months ended June 30, 2023. During the meetings, the Audit Committee also reviewed the significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and internal audit function, and the appointment of external auditors and the provision of non-audit services.

### Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Shen Jianzhong, Ms. Xie Xiaoyan and Mr. Xu Jun. Mr. Xu Jun is a non-executive Director and each of Ms. Xie Xiaoyan and Mr. Shen Jianzhong is an independent non-executive Director. Mr. Shen Jianzhong is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management, including fixed pay, annual bonuses, shares or other incentive awards, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment or alternatively, making recommendations to the Board on such remuneration packages; and (iii) reviewing performance-related elements of the total remuneration package for executive Directors to align their interests with those of Shareholders.

The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company and make recommendation to the Board on the remuneration packages of individual Directors and senior management.

Details of the Directors' remuneration for the year ended December 31, 2023 are set out in Note 14 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for the Reporting Period is set out below:

Remuneration bands (HKD)	Number of persons
HK\$0-HK\$1,000,000	1
HK\$1,000,001-HK\$1,500,000	2
HK\$1,500,001-HK\$2,000,000	1
<b>Total</b>	<b>4</b>



# Corporate Governance Report

## Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of three members, namely Mr. Yao Feng, Mr. Shen Jianzhong and Mr. Xu, Zhan Kevin. Mr. Xu, Zhan Kevin is a non-executive Director and each of Mr. Yao Feng and Mr. Shen Jianzhong is an independent non-executive Director. Mr. Yao Feng is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

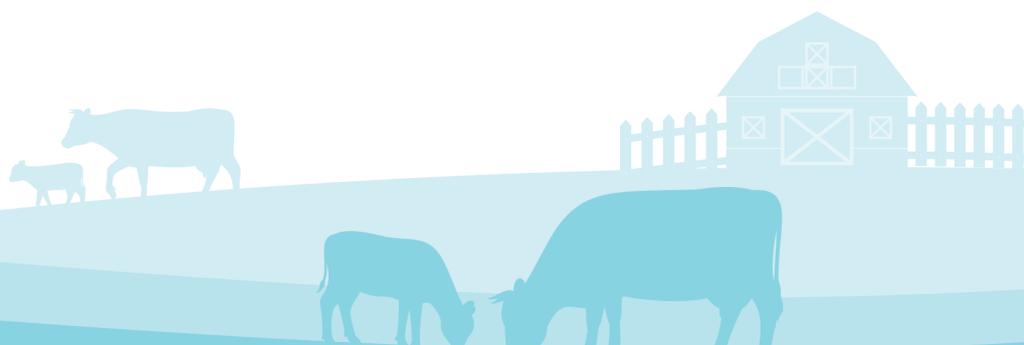
The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring directors standing for election at the forthcoming AGM, as well as the Board diversity policy and its implementation.

## Board Diversity

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of the Board. The Company believes that increasing diversity at the Board level is the basic element to support the attainment of the Company’s strategic objectives and sustainable development. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to the Board.

The Board currently consists of one female Director and eight male Directors. The Nomination Committee considers that the Board is diverse in terms of gender taking into account the business needs of the Company, and the Directors have a balanced mix of knowledge and skills in various areas, including but not limited to business management, veterinary medicine, biotechnology and financial management and obtained degrees in various majors including economics, engineering and management. The Board of Directors are of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for ensuring the diversity of our Board members when identifying people suitably qualified to become Board members, having evaluated the scope and responsibility of the required position. Different means will be used by the Nomination Committee in the identification of candidates, including recommendations from members of the Board, use of independent recruitment consultants and any other means or channels that it deems appropriate. During the Reporting Period, the Board conducted a review of the implementation and effectiveness of the Board Diversity Policy, and considered that the experience and competence of the Directors in all aspects and areas could enable the Company to maintain operation at a high standard.



# Corporate Governance Report

## Diversity of Employees

The Group is committed to promoting diversity in its workforce, providing an open and inclusive work environment with equal opportunities and protecting the rights of women and minorities. We prohibit any form of harassment or discrimination on the basis of race, colour, age, gender, sexuality, gender identity or expression, disability, pregnancy, religion, political affiliation, veteran status, labour union membership, and the discrimination in hiring or employment practices with respect to marital status, promotion, awards or access to training. The Group embraces people of all genders. The Group's recruitment strategy is to hire the right person for the right job, regardless of gender. The Group is committed to providing equal opportunities for its employees in recruitment, training and development, position promotion and remuneration. In addition, the Group is committed to value creation, promotes the 4P remuneration philosophy and implements the "broadband remuneration" plan. Workers with the same level of skill and labour proficiency are paid for the same work, regardless of gender, age, ethnicity, disability, region, etc., as long as they can provide the same amount of labour in different ways.

As at December 31, 2023, female employees represented 27.3% of the total workforce (including senior management) and 11% of the Board seats. Going forward, we will continue to work towards enhancing gender diversity of the Board and the Group's employees and when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to the Board.

## Director Nomination Policy

The Company has adopted a director nomination policy (the "Director Nomination Policy") in accordance with the Corporate Governance Code. The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Integrity and reputation;
- Educational background, professional qualifications and work experience (including part-time jobs);
- Whether or not they have the necessary skills and experience;



## Corporate Governance Report

- Whether or not they are able to spend sufficient time and energy to handle the Company's affairs;
- Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- Whether or not the candidates for independent non-executive Directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

### Corporate Governance Function

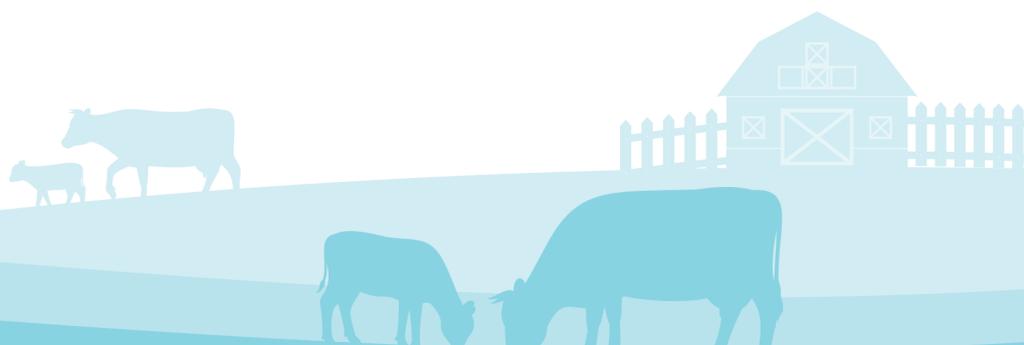
The Board is responsible for performing the functions set out in provision A.2.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

### Dividend Policy

The Company has adopted a dividend policy on payment of dividends in accordance with provision F.1.1 of the Corporate Governance Code.



## Corporate Governance Report

According to the dividend policy, payment of dividends depends on a number of factors, including but not limited to the following:

- general business conditions of the Company;
- financial results of the Company;
- capital requirements of the Company;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

### Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 94 to 97 of this annual report.

### Continuous Professional Development of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

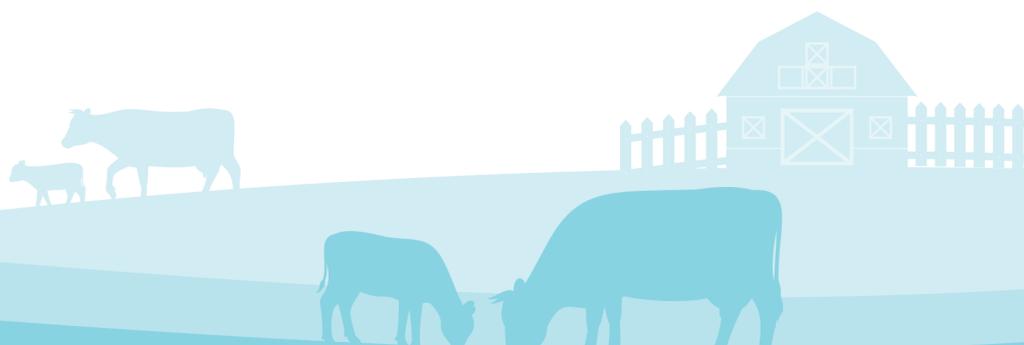
Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.



## Corporate Governance Report

During the Reporting Period, the Company provided a series of trainings and relevant reading materials to the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties of a director of a listed company. The Directors have attended seminars and training sessions arranged by relevant business and professional/financial institutions/law firms, and have read relevant materials relating to regulatory updates, business and industry development, corporate governance, accounting, financial or professional skills and directors' duties. The relevant details are set out below:

Name of Director	Training Topics			
	Corporate Governance	Legal and Regulatory	Business and Industry Development	Internal Control and Risk Management
<b>Executive Directors:</b>				
Mr. Yuan Jun	√	√	√	√
Mr. Dong Jiping	√	√	√	√
<b>Non-executive Directors:</b>				
Mr. Zhang Yujun ( <i>for the period from January 1, 2023 to July 28, 2023</i> )	√	√	√	√
Mr. Wu Xiang ( <i>for the period from July 28, 2023 to December 31, 2023</i> )	√	√	√	√
Mr. Xu Jun	√	√	√	√
Mr. Xu, Zhan Kevin	√	√	√	√
Mr. Qiu Zhongwei	√	√	√	√
<b>Independent Non-executive Directors:</b>				
Ms. Xie Xiaoyan	√	√	√	√
Mr. Yao Feng	√	√	√	√
Mr. Shen Jianzhong	√	√	√	√



# Corporate Governance Report

## Auditors' Responsibility and Remuneration

The Company appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. A statement by the Auditor about its reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 94 to 97.

The Audit Committee is responsible for making recommendations to the Board on the appointment of external auditors and reviewing the non-audit services (including any potential conflict of interest) performed by the external auditors.

Details of the fees in respect of the audit and non-audit services provided by the Auditor for the Reporting Period are set out in the table below:

Services rendered for the Company	Total fees paid and payable RMB'000
Audit services	5,550
Non-audit services	2,897
Interim review	1,800
Other services	1,097
<b>Total</b>	<b>8,447</b>

## Board Independence Mechanism

During the Reporting Period, the Board reviewed the implementation and effectiveness of the mechanisms in place to ensure that independent views and opinions are available to the Directors. Having considered the following aspects, the Board considered that the Company maintained an effective mechanism to ensure a potent and sufficient element of independence in the Board:

- there are three independent non-executive Directors on the Board (representing one-third of the Board), all of whom continued to devote sufficient time to the Company; other Board Committees are also comprised of a sufficient number of independent non-executive Directors to ensure that independent views are available to each Board Committee;
- the Board reviews its structure, size and composition (including skills, knowledge, experience, gender balance and length of tenure) and the implementation and effectiveness of the Board Diversity Policy at least annually to maintain a balanced Director composition on the Board;
- the Nomination Committee assesses the independence of all independent non-executive Directors annually in accordance with the independence standards set out in the Listing Rules to ensure that they are always able to exercise independent judgment;
- all Directors (including independent non-executive Directors) have equal opportunities and multiple channels to convey and express their independent views and input to the Board and Board Committees;



## Corporate Governance Report

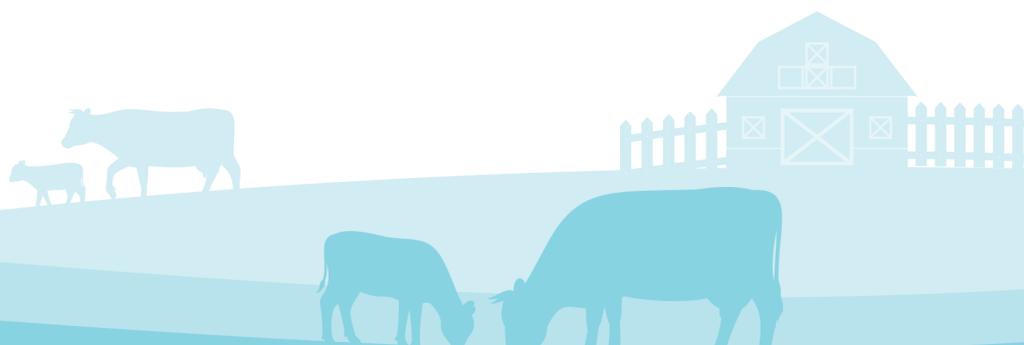
- all Directors (including independent non-executive Directors) may request further data and documentation from the management of the Company on matters discussed at Board meetings;
- all Directors may seek assistance from the secretary to the Board and the company secretary and seek external independent professional advice at the Company's expense;
- all Directors (including independent non-executive Directors) shall not vote on any Board resolution approving any contract or arrangement in which he/she or any of his/her associates has a material interest nor shall he/she be counted in the quorum of the meeting; and
- the Chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors to discuss matters and address concerns.

### Risk Management and Internal Control

The Board attaches great importance to and is fully responsible for maintaining a sound and effective risk management and internal control system for the Group. To discharge its responsibilities, the Board, on an ongoing basis, oversees the design, implementation and monitoring of the risk management and internal control systems by management. The Audit Committee, on behalf of the Board, reviews the development, implementation and oversight of the risk management and internal control systems by management on a semi-annual basis, and reviews the effectiveness of the risk management and internal control systems on an annual basis.

In order to ensure the effectiveness of the risk management and internal control system, the Group has adopted the "Three Defence Lines" model for internal control and risk management, and established a risk management and internal control framework under the supervision and guidance of the Board, taking into account the actual situation of the Company. The Board has established a multi-level organisation, including the Audit Committee under the Board of Directors, the internal control and risk management committee at the management level, the functional supervision and support departments, and the operating business departments, to achieve a joint supervision function.

The system of "Three Defence Lines" for risk management and internal control is designed to manage, rather than completely eliminate, the risks that may prevent the Company from achieving its business strategies, to provide reasonable but not absolute assurance against material misstatement or loss, and to provide assurance that the Company's strategic business objectives are being achieved.



# Corporate Governance Report

## Risk Management

The Group has established a risk management system, including the establishment of the aforementioned “Three Defence Lines” model for internal control and risk management and the clarification of internal control and risk management responsibilities at various levels, as well as the formulation of risk management-related policies and the establishment of risk management processes. The Group’s internal audit department organizes each business and functional department to regularly identify and evaluate risks that may affect the achievement of objectives on an annual basis, comprehensively identifies and evaluates risks in the strategy, market, finance, operation and legislation fields of the Group, focuses on the implementation of control of major risks at the Group level, and the Group’s internal control and risk management committee reaches a conclusion on and formulates the corresponding risk response strategies, clarifies the main responsible departments and responsible persons, formulates appropriate risk coping measures or contingency plans, and effectively reduces and circumvents the adverse impact of major risks on the Group’s strategic objectives and sustainable development.

## Major Risks

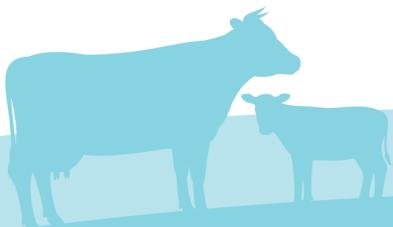
The major risks to which the Company may be exposed and the risk management measures that have been implemented are summarized as below.

### Strategic Risks

The Directors and management of the Group have developed a short and long-term strategic plan based on their extensive experience and knowledge in the dairy industry. Based on these strategies, the Group will seize market opportunities and continue to enhance its operational capabilities by making timely investments in quality farms, feed mills, breeding farms and forage grass plantation bases to meet market demand and expectations. Specifically, the Group will continue to develop products and technologies, build a win-win ecological service platform for the industry chain, effectively promote lean production management, continue to drive digitalization and intelligence in production management, and practise green and low-carbon sustainable development. The Group will also closely review and monitor the progress of the implementation of the relevant strategies, take proper risk mitigation measures and make appropriate strategic adjustments, so as to provide consumers and customers with premium raw milk and comprehensive ruminant farming solutions.

### Market Risks

In recent years, the international market conditions and regulatory environment have been increasingly affected by competition among countries and geopolitical conflict. Uncertainties in the economic situation, geopolitics and extreme weather may cause changes in external market conditions, which may in turn lead to risks of economic losses towards the Company, such as fluctuations in milk prices, rising raw material costs and interest rate risks. The Group actively seeks business development opportunities to address fluctuations in milk prices through product innovation and maintaining long-term stable win-win partnerships with major customers; maintaining precise feeding and formula upgrades to deal with rising raw material costs; and optimizing stock loans, adjusting debt structure and improving capital yields to mitigate interest rate risks.



# Corporate Governance Report

## Financial Risks

The Group is exposed to credit, liquidity and other risks in the ordinary course of business. The Group's overall risk management strategy aims to minimize potential adverse effects on the Group's financial performance.

## Operational Risks

The Group's operations may be affected by certain specific risk factors such as disruptions in the operation of production facilities and actual or alleged food safety issues, which are mitigated and controlled by the Group's internal control system as detailed in the section headed "Risk Management and Internal Control – Internal Control" of this annual report.

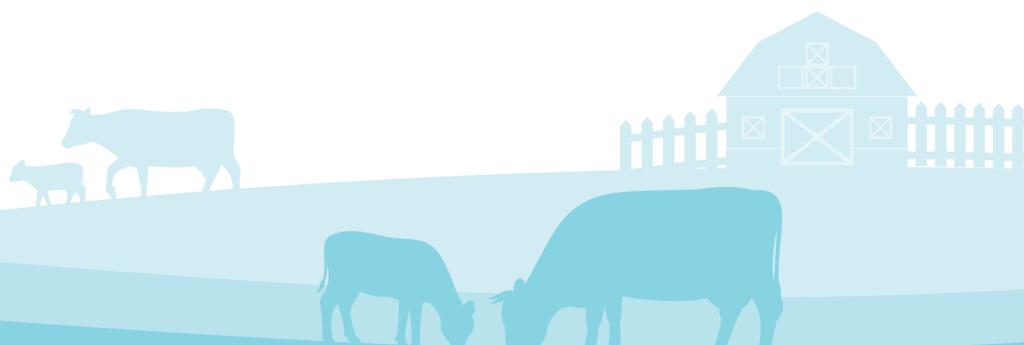
## Legal Risks

As new laws and regulations continue to be issued and the Group's business continues to expand, the Group's operations are required to obtain various approvals, licenses and permits to be in compliance with the applicable laws and regulations. The Group has taken practical measures to invest substantial resources in various aspects to ensure compliance with regulatory requirements, established professional departments and teams, engaged external professional consultants, maintained close contact and communication with business management at all times, communicated with regulatory authorities in a timely manner and actively paid attention to changes in relevant laws and regulations in a timely manner, adjusted strategies and adopted countermeasures accordingly, enhanced internal interpretation and training on revised laws and regulations. We have also improved our management mechanism to ensure that the Company would comply with the relevant laws and regulations.

## Internal Control

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Group has established an internal control system, including the establishment of the aforesaid "Three Defence Lines" model for internal control and risk management, and clarification of internal control and risk management responsibilities at various levels, as well as the formulation of internal control-related policies and the establishment of internal control management processes. The internal audit department of the Group conducts annual evaluation of the overall internal control of the Company in accordance with the "Basic Standards for Enterprise Internal Control" and "18 Practice Notes for Enterprise Internal Control" and other national laws and regulations as well as rules and regulations, and reports to the Audit Committee.

The Group's internal control system clearly defines the management responsibilities, authorization and approval of each party in respect of critical controls, establishes clear policies and procedures for important business processes and emphasizes the importance of the internal control system to employees. The Group's policies are the management standards for each business process, covering all aspects of finance, legal and operations, and shall be strictly enforced by all employees.



# Corporate Governance Report

To further strengthen management's responsibility for the Group's internal control system and to properly validate the effectiveness of the internal control system by management, the management of each business unit and functional division conducts self-assessment and validation of the internal controls of the business departments and functional divisions within its responsibility on a quarterly basis. The internal audit department assists the management in preparing a template for the "Internal Control Evaluation Test for Critical Control Points" in accordance with the "Basic Standards for Enterprise Internal Control" and "18 Practice Notes for Enterprise Internal Control", and guides each business department and functional department in conducting self-evaluation and collecting, reviewing and summarizing the results of internal control evaluation. The internal audit department then, in combination with the problems found by it, determines the results of internal control evaluation at the company level. In addition, the internal audit department will also issue a report on the overall operation of the Group's internal control system and conduct independent supervision and evaluation. The president of the Company will also review the self-evaluation of each business department and functional department to appraise the effectiveness of the Company's internal control system in general.

## Anti-Fraud

### Anti-fraud System and Whistleblowing Policy

The Company has adopted an anti-fraud system and whistleblowing policy, and pays high attention to the management of anti-corruption and promotion of honesty by continuously improving its anti-fraud ecosystem to ensure all the staff "don't dare to, are unable to and have no desire to commit acts of corruption", and develop a clean and upright working environment. The Company has an internal audit department to manage risk assessment and investigate into complaints, thereby guaranteeing its lawful operation free of corruption. The relevant provisions include a series of internal rules such as the Punishment Measures for Fraudulent Behaviours (《舞弊行為懲處辦法》), Measures for the Administration of Anti-Fraud Work (《反舞弊工作管理辦法》), Youran Dairy's Code of Business Conduct (《優然商業行為準則》), Youran Dairy's Bottom Line System (《優然高壓線》) and Youran Dairy's Relevant Regulations on Cultivating a Culture of Honest and Upright (《優然牧業推動落實廉潔新風的相關規定》). In addition, the Group's internal audit department also conducts internal audit as part of its regular routine monitoring and reports the same to the management. Our staff are continuously reminded on the importance of anti-corruption and anti-fraud through training.

### *Access and safeguards for reporting*

The Group has established multiple whistleblower channels to enable our employees, customers and suppliers to raise concerns in confidence and anonymously with the Audit Committee about possible misconduct in any matter relating to the Company in order to mitigate any suspected incidents of corruption or malpractice. Whistleblowers may report in real-name or an anonymous manner; they may report their own concerns or those of others they have seen; and they must act in good faith and be truthful about their concerns.



## Corporate Governance Report

The Group's internal audit department will evaluate the feedback and make a decision to investigate the matter or hand over to the relevant departments. For real-name reports on fraud issues, the internal audit department will respond within 24 hours, register them, hand them over to the relevant departments and initiate the investigation process within 5 working days. The investigation of complaints will be conducted in accordance with the principles of fairness, impartiality and confidentiality, and the information about the whistleblower and the content reported will be kept strictly confidential. If the complainant has been retaliated against, he/she can provide the relevant information to the internal audit department in a timely manner and the Group's internal audit department will further investigate and resolve the matter in accordance with the relevant system.

For those employees and partners who are found to have committed irregular and fraudulent acts, the Group will punish the responsible personnel or related parties in accordance with the relevant system, including but not limited to, for employees, detention, suspension, demotion, transfer, salary reduction, termination of labour relations and, for suppliers, termination or prohibition of cooperation, etc.

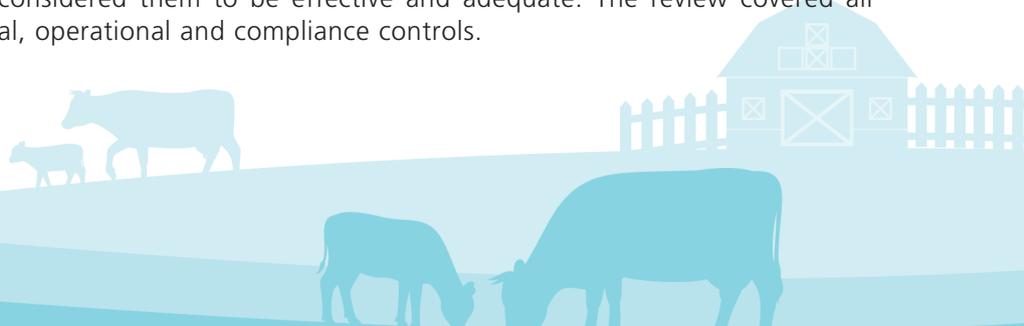
### Risk Management and Internal Control Effectiveness

During the Reporting Period, the Group invested more resources in the development of risk management and internal control systems, and employees' awareness of risk management continued to increase. The internal control function continued to reach the front end of the business and was more proactive in supporting the healthy development of the business and enhancing risk management. The internal control and risk management group continued to drive the development of various special audits and continuous audits to better provide effective and timely independent evaluations. The anti-fraud investigation team is responsible for receiving reports through multiple channels and following up and investigating suspected fraudulent incidents in a timely manner. It also assists the management in promoting the value of "Self-reflection" and "Youran Dairy's Code of Business Conduct 《優然商業行為準則》" to all employees. The linkage of the "Three Defence Lines" has been further strengthened in order to support the development of the Company more effectively.

The Company's handling and release of inside information is governed by the various inside information disclosure procedures, which ensure that inside information remains confidential until disclosure is properly approved and that such information is released efficiently and on an ongoing basis.

The Audit Committee is responsible for assisting the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, reporting and making recommendations to the Board in a timely manner. Under the supervision of the Audit Committee, the internal audit department oversees the risk management and internal control systems and conducts independent audits on the effectiveness and integrity of the risk management and internal control systems. The internal audit department identifies significant risks and coordinates with the internal control and risk management committee to issue recommendations on internal control and risk improvement plans and corrective measures, and conducts follow-up audits on issues identified to ensure proper implementation of planned remedial measures. The internal audit department operates independently of the Company's business centres and departments and reports audit findings and follow-ups to the Audit Committee on a half-yearly basis.

During the Reporting Period, the Board reviewed the effectiveness of the Company's risk management and internal control systems and considered them to be effective and adequate. The review covered all material controls, including financial, operational and compliance controls.



# Corporate Governance Report

## Company Secretary

Ms. Yu Wing Sze (“Ms. Yu”), is the company secretary of the Company. Ms. Yu is a manager of the listing services department of TMF Hong Kong Limited, a company secretarial service provider, and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed.

Her primary corporate contact person at the Company is Ms. Wu Di, the manager of the Company’s Hong Kong office who is primarily responsible for internal compliance and company secretarial matters of the Group.

Ms. Yu has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

## SHAREHOLDERS’ RIGHTS

### Convening of Extraordinary General Meetings (“EGM”) by Shareholders and Putting Forward Proposals at General Meetings

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings; on a one vote per share basis and the foregoing Shareholder shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an EGM following the procedures set out in above.

### Procedure for Shareholders to Propose a Person for Election as a Director

Detailed procedures for Shareholders to propose a person for election as a Director of the Company are published on the Company’s website.



# Corporate Governance Report

## Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, for the attention of the Board by mail to No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China or by e-mail to [YouranIR@yourandairy.com](mailto:YouranIR@yourandairy.com). The Company will endeavour to respond to their queries in a timely manner. Shareholders may also make enquiries with the Directors at the general meetings of the Company. The Company will not normally deal with verbal or anonymous enquiries.

## Communication with Shareholders and Investors Relations

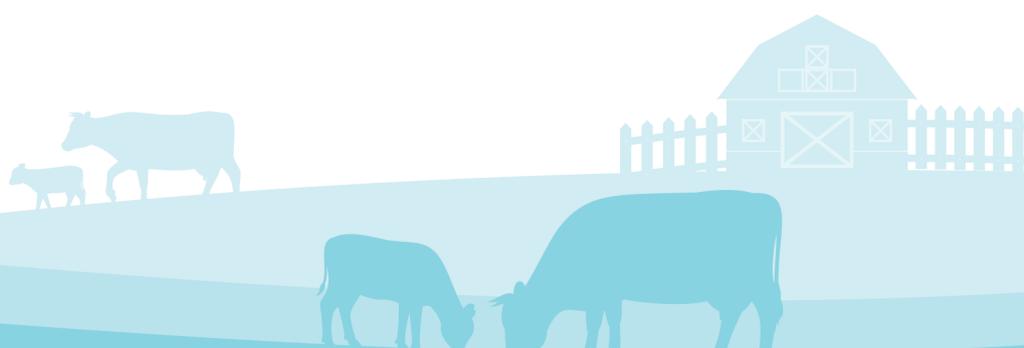
The Company has adopted a shareholder communication policy and maintained it in force, and details of the policy are available on the Company's website. The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies, and endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development. When the Company announces its interim and annual results, earnings conferences are conducted to apprise investors, analysts and the press of the Group's operating results as well as business strategies and outlook. The Company's investor relations website is updated on a timely basis to ensure that investors are able to have access to the Company's information, latest news and reports.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted during the Reporting Period and was satisfied with the implementation and effectiveness of the shareholder communication policy.

## Changes in Constitutional Documents

During the Reporting Period, the Company did not make any changes to its Articles of Association. The Articles of Association is available on the websites of the Company and the Stock Exchange.



# Independent Auditor's Report

## Deloitte.

## 德勤

To The Shareholders of China Youran Dairy Group Limited  
(Incorporated in the Cayman Islands with limited liability)

### Opinion

We have audited the consolidated financial statements of China Youran Dairy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 98 to 201, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Fair value of milkable cows	
<p>We identified the fair value of milkable cows as a key audit matter due to the significance of the balance on the consolidated statement of financial position at December 31, 2023 and the significant degree of estimates made by the management in determining such fair values.</p>	<p>Our procedures in relation to the significant inputs used in determining fair value of milkable cows included:</p>
<p>The Group reported milkable cows of RMB8,385 million in biological assets as at December 31, 2023. These biological assets are measured at fair value less costs to sell at the end of the reporting period.</p>	<ul style="list-style-type: none"> <li>• Comparing the estimated local future market price of raw milk with historical raw milk price and trend, latest selling price and, where available, the sales contracts on hand;</li> </ul>
<p>As disclosed in Notes 5, 22 and 46 to the consolidated financial statements, the fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows. The management's estimation is primarily based on the discount rate, the estimated local future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram of raw milk.</p>	<ul style="list-style-type: none"> <li>• Comparing the estimated average daily milk yield with historical milk yield and industry data;</li> <li>• Comparing the estimated feed costs per kilogram of raw milk with historical feed cost and recent contract prices of main raw materials; and</li> <li>• Comparing the discount rate used in discounting future cash flows to be generated by milkable cows with the acceptable range calculated by our internal valuation professionals.</li> </ul>
<p>Details of milkable cows and the related estimation uncertainty on their fair value are set out in Notes 5, 22 and 46 to the consolidated financial statements.</p>	

## Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# Independent Auditor's Report

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chi Lung.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

March 27, 2024



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

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Revenue	6	18,693,896	18,050,761
Cost of sales	7	(17,499,357)	(16,958,848)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	22	3,275,246	3,131,809
Gross profit		4,469,785	4,223,722
Loss arising from changes in fair value less costs to sell of biological assets	22	(3,613,271)	(1,617,116)
Other income	8	453,821	362,890
Impairment loss under expected credit loss model, net of reversal	9	(6,629)	(32,739)
Impairment loss recognised in respect of goodwill	20	(120,966)	–
Other gains and losses	10	135,551	47,999
Selling and distribution expenses		(619,566)	(590,016)
Administrative expenses		(778,154)	(721,535)
Other expenses		(70,383)	(64,923)
Share of losses of associates	24	(126,559)	(35,531)
Share of (loss)/profit of a joint venture		(541)	4
Finance costs	11	(1,082,592)	(1,097,485)
(Loss)/profit before tax		(1,359,504)	475,270
Income tax expense	12	(93,388)	(69,284)
(Loss)/profit for the year	13	(1,452,892)	405,986
<b>Other comprehensive income/(expense), net of income tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value profit/(loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax	25	6,236	(6,873)
Exchange differences arising on translation from functional currency to presentation currency		298,805	1,338,548
		305,041	1,331,675
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		(363,985)	(1,586,925)
Other comprehensive expense for the year, net of income tax		(58,944)	(255,250)
Total comprehensive (expense)/income for the year		(1,511,836)	150,736
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,049,980)	414,771
Non-controlling interests		(402,912)	(8,785)
		(1,452,892)	405,986
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(1,111,555)	162,353
Non-controlling interests		(400,281)	(11,617)
		(1,511,836)	150,736
		RMB	RMB
(Loss)/earnings per share	15		
Basic		(0.28)	0.11
Diluted		(0.28)	0.11

# Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	15,181,413	12,965,610
Investment properties	18	18,445	23,815
Right-of-use assets	19	2,735,677	2,455,583
Goodwill	20	672,014	792,980
Intangible assets	21	25,178	23,163
Biological assets	22	14,605,898	13,221,418
Deferred tax assets	23	35,388	24,345
Interests in associates	24	1,047,147	1,156,647
Interest in a joint venture		4,301	4,758
Equity instruments at FVTOCI	25	18,728	28,066
Pledged and restricted bank deposits	31	12,940	11,667
Deposits paid for purchase of property, plant and equipment		355,405	708,316
Deposits paid for purchase of biological assets		34,616	459,138
Deposits paid for right-of-use assets		4,187	1,601
Prepayments, deposits and other receivables	29	41,982	–
		<b>34,793,319</b>	<b>31,877,107</b>
<b>Current assets</b>			
Inventories	26	4,504,858	4,692,784
Trade receivables	27	792,071	1,312,099
Bills receivable		4,323	–
Contract assets	28	2,278	7,116
Biological assets	22	212	8,490
Prepayments, deposits and other receivables	29	380,394	858,465
Financial assets at fair value through profit or loss (“FVTPL”)	30	–	1,919,338
Amounts due from related parties	47	1,099,845	917,568
Pledged and restricted bank deposits	31	134,087	401,097
Bank balances and cash	31	3,935,982	936,358
Deposits placed with a related party	47	552,359	515,895
		<b>11,406,409</b>	<b>11,569,210</b>
<b>Current liabilities</b>			
Trade and bills payables	32	2,113,192	2,688,578
Other payables and accruals	33	1,982,750	1,893,511
Contract liabilities	34	31,231	41,895
Amounts due to related parties	47	79,277	47,338
Bank and other borrowings	35	16,433,086	13,827,675
Lease liabilities	37	220,788	131,604
Other liabilities	38	7,310	6,942
Other provisions	39	19,807	19,807
Convertible notes	40	–	1,206,200
Income tax payable		27,139	32,734
		<b>20,914,580</b>	<b>19,896,284</b>
Net current liabilities		<b>(9,508,171)</b>	<b>(8,327,074)</b>
Total assets less current liabilities		<b>25,285,148</b>	<b>23,550,033</b>

# Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
<b>Non-current liabilities</b>			
Bank and other borrowings	35	9,826,502	6,731,381
Deferred tax liabilities	23	7,292	6,192
Deferred income	36	728,211	619,510
Lease liabilities	37	1,601,913	1,425,387
Other liabilities	38	–	7,310
Other provisions	39	22,535	9,124
		<b>12,186,453</b>	<b>8,798,904</b>
<b>Net assets</b>		<b>13,098,695</b>	<b>14,751,129</b>
<b>Capital and reserves</b>			
Share capital	41	251	251
Reserves		11,830,467	13,063,495
Equity attributable to owners of the Company		<b>11,830,718</b>	<b>13,063,746</b>
Non-controlling interests		1,267,977	1,687,383
<b>Total equity</b>		<b>13,098,695</b>	<b>14,751,129</b>

The consolidated financial statements on pages 98 to 201 were approved and authorised for issue by the board of directors on March 27, 2024 and are signed on its behalf by:

Yuan Jun  
Director

Dong Jiping  
Director



# Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company											
	Share capital	Share premium	Other reserves	Convertible notes equity reserve	Capital reserves	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000 (Note (iii))	RMB'000	RMB'000 (Note (i))	RMB'000	RMB'000	RMB'000 (Note (ii))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2022	251	7,342,303	188,567	963,384	(4,926)	2,676	84,079	398,376	4,206,201	13,180,911	1,699,000	14,879,911
(Loss)/profit and other comprehensive (expense)/ income for the year	-	-	-	-	-	(4,010)	(248,408)	-	414,771	162,353	(11,617)	150,736
Partial redemption of convertible notes (Note 40)	-	-	-	(286,303)	-	-	-	-	-	(286,303)	-	(286,303)
Statutory fund appropriation	-	-	-	-	-	-	-	199,508	(199,508)	-	-	-
Others	-	6,785	-	-	-	-	-	-	-	6,785	-	6,785
At December 31, 2022	251	7,349,088	188,567	677,081	(4,926)	(1,334)	(164,329)	597,884	4,421,464	13,063,746	1,687,383	14,751,129
Loss and other comprehensive income/(expense) for the year	-	-	-	-	-	3,639	(65,214)	-	(1,049,980)	(1,111,555)	(400,281)	(1,511,836)
Dividends paid to owners of the Company (Note 16)	-	(83,499)	-	-	-	-	-	-	-	(83,499)	-	(83,499)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,125)	(19,125)
Partial redemption/maturity of convertible notes (Note 40)	-	-	-	(677,081)	639,107	-	-	-	-	(37,974)	-	(37,974)
Statutory fund appropriation	-	-	-	-	-	-	-	114,218	(114,218)	-	-	-
At December 31, 2023	251	7,265,589	188,567	-	634,181	2,305	(229,543)	712,102	3,257,266	11,830,718	1,267,977	13,098,695

## Notes:

- (i) Capital reserves represent the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid when the Group acquired partial interests in existing subsidiaries and the balance transferred from convertible notes equity reserve upon expiration of the conversion option.
- (ii) The amount mainly represents statutory reserve fund. According to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to allocate at least 10% of its profit after tax as per financial statements prepared in accordance with the relevant PRC accounting standards to statutory reserve fund until the reserve fund reaches 50% of the registered capital of respective subsidiary. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.
- (iii) Other reserves represent the amounts arose from group reorganisation during 2015.



# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		(1,359,504)	475,270
Adjustments for:			
Share of losses/(profit) of a joint venture		541	(4)
Share of losses of associates		126,559	35,531
Loss arising from changes in fair value less costs to sell of biological assets		3,613,271	1,617,116
Bank interest income	8	(22,208)	(16,514)
Interest income from Yili Group (as defined in Note 47)	8	(6,026)	(6,670)
Interest income from finance lease receivables		(136)	–
Government grants	8	(190,578)	(145,875)
Finance costs	11	1,082,592	1,097,485
Exchange gain		(780)	(4,057)
Depreciation and amortisation	13	551,249	439,609
Write-down of inventories		9,184	1,863
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	9	6,629	32,739
Loss on disposal of property, plant and equipment	10	18,531	2,000
Impairment loss on property, plant and equipment	10	7,879	3,522
Impairment loss on investment property	10	3,441	–
Impairment loss recognised in respect of goodwill	20	120,966	–
Gain on termination of lease agreements	10	(1,454)	(673)
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group (as defined in Note 20)	10	–	(49,234)
Loss/(gain) on partial redemption of convertible notes	10	918	(901)
Fair value gains on financial assets at FVTPL	10	(160,429)	(19,338)
Reversal of provision for litigations	10	–	(4,247)
Operating cash flows before movements in working capital		3,800,645	3,457,622
Decrease/(increase) in inventories		273,636	(1,290,073)
Decrease/(increase) in trade receivables		516,057	(156,309)
(Increase)/decrease in bills receivable		(4,323)	13,828
Decrease/(increase) in prepayments and other receivables		444,496	(355,197)
Increase in amounts due from related parties		(182,277)	(137,176)
Decrease in contract assets		4,838	1,238
(Decrease)/increase in trade and bills payables		(575,386)	809,981
Increase in other payables and accruals		98,562	135,042
(Decrease)/increase in contract liabilities		(10,027)	3,833
Increase in amounts due to related parties		31,939	45,455
Decrease in other provisions		–	(8,768)
Increase in deferred income		56,922	78,245
Cash generated from operations		4,455,082	2,597,721
Interest received		28,234	23,184
Income taxes paid		(93,352)	(73,127)
Net cash from operating activities		4,389,964	2,547,778

# Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
<b>INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(2,758,361)	(3,471,559)
Payments for right-of-use assets		(103,790)	(45,765)
Payments for intangible assets		(402)	(7,982)
Proceeds from disposal of property, plant and equipment		28,451	43,990
Payments for biological assets		(5,188,369)	(5,152,172)
Proceeds from disposal of biological assets		1,088,357	1,037,515
Purchase of equity instruments at FVTOCI		–	(10,127)
Purchase of financial assets at FVTPL		(4,500,000)	(1,900,000)
Proceeds from disposal of financial assets at FVTPL		6,579,767	–
Investments in a joint venture		–	(4,186)
Investments in associates		–	(1,157,650)
Placement of pledged and restricted bank deposits		(12,713)	(403,458)
Withdrawal of pledged and restricted bank deposits		278,450	34,488
Receipt of government grants for assets		242,357	253,087
Receipt from finance lease receivables		1,875	–
Net cash used in investing activities		(4,344,378)	(10,783,819)
<b>FINANCING ACTIVITIES</b>			
New bank and other borrowings raised		37,627,099	25,178,548
Repayments of bank and other borrowings		(32,007,949)	(14,204,626)
Interest paid for bank and other borrowings		(835,840)	(419,884)
Repayment of lease liabilities		(107,806)	(136,428)
Interest paid for lease liabilities		(75,282)	(68,542)
Repayment of other liabilities		(7,500)	(7,500)
Dividends paid to owners of the Company	16	(83,499)	–
Dividends paid to non-controlling interests		(19,125)	–
Pledged receivables for bank borrowings	29	(23,758)	–
Payments of interest cost for convertible notes	40	(26,099)	(104,468)
Payments of partial redemption/maturity of convertible notes	40	(1,450,283)	(2,185,257)
Net cash from financing activities		2,989,958	8,051,843
Net increase/(decrease) in cash and cash equivalents		3,035,544	(184,198)
Cash and cash equivalents at beginning of the year		1,452,253	1,627,420
Effect of foreign exchange rate changes		544	9,031
Cash and cash equivalents at end of the year, represented by bank balances, cash and deposits placed with a related party		4,488,341	1,452,253



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 1. General Information

China Youran Dairy Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since June 18, 2021. The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The principal place of business of the Company is No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, the PRC.

The Company and its subsidiaries (together, the “Group”) is primarily engaged in the production and sale of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is different from the Company’s functional currency of United States dollars (“USD”). The directors of the Company adopted RMB as presentation currency because the Group primarily conducts its business in the PRC.

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”)

### New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two Model Rules</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year (continued)**

### Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>1</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> <sup>2</sup>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> <sup>2</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>3</sup>

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2024.

3 Effective for annual periods beginning on or after January 1, 2025.

Except as mentioned below, the directors of the Company anticipate that the application of the above amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 Statement of Cash flows stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, IFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) (continued)

**New and amendments to IFRSs that are mandatorily effective for the current year (continued)**

**Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements (continued)**

The term ‘supplier finance arrangements’ is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;
- The carrying amount and associated line items presented in the entity’s statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures of liabilities, cash flows and the Group’s exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

## 3. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with IFRSs. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### Going concern assessment

As at December 31, 2023, the Group had net current liabilities of RMB9.5 billion. The consolidated financial statements have been prepared on a going concern basis, because the directors of the Company are of the opinion that, based on a cash flow forecast of the Group for the 12 months ending December 31, 2024 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least 12 months from December 31, 2023. Based on the forecast, the sufficiency of the Group’s working capital for the next 12 months depends on the Group’s ability to obtain the anticipated cash flows from the Group’s operating activities, the available unutilised bank loan facilities obtained and the expected renewal of certain utilised bank loan facilities for an aggregate amount of approximately RMB10.9 billion within 12 months from December 31, 2023.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

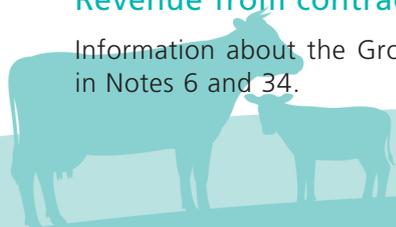
The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

### Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 6 and 34.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Leases

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### The Group as a lessee

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within investment properties.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Leases (*continued*)

#### The Group as a lessee (*continued*)

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease payments in relation to lease liability will be allocated into a principal and an interest portion which are presented as financing cash flows by the Group.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

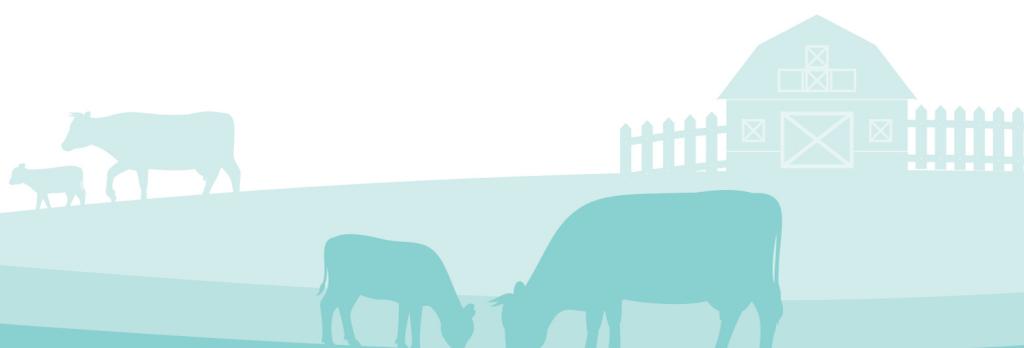
### Leases (*continued*)

#### The Group as a lessor

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Foreign currencies

In preparing the financial statements of individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the functional currency of the Company (i.e. USD) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in USD to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

### Grants relating to biological assets

A government grant related to a biological asset measured at its fair value less costs to sell was recognised in profit or loss when, and only when, the conditions attaching to the government grant are met.

### Government loan at a below-market rate

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### Other grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Taxation (*continued*)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Property, plant and equipment

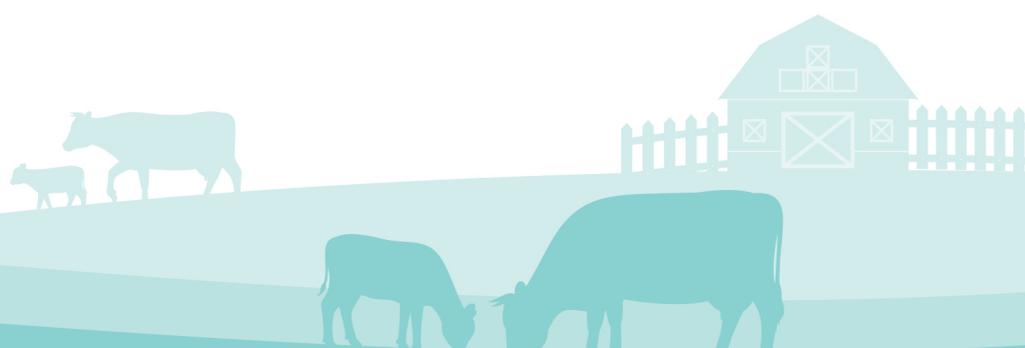
Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as right-of-use assets in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Impairment on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties measured using the cost model, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment properties, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Biological assets

The Group's biological assets mainly include dairy cows and dairy goats. Biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in profit or loss for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of biological assets is determined based on their present location and condition and is determined independently by a professional valuer.

The feeding costs and other related costs including staff costs, depreciation and amortisation charge, utility costs and consumables incurred for raising of calves, heifers and young dairy goats are capitalised, until such time as the calves, heifers and young dairy goats begin to produce milk.

### Agricultural produce

Agricultural produce mainly represents raw milk and frozen bovine semen, which are recognised at the point of harvest at fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measuring at fair value less costs to sell is included in profit or loss for the period in which it arises.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Financial instruments (*continued*)

#### Financial assets

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Financial instruments (*continued*)

#### Financial assets (*continued*)

##### *Impairment of financial assets and other item subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade receivables, bills receivable, deposits and other receivables, amounts due from related parties, pledged and restricted bank deposits, bank balances and deposits placed with a related party) and other items (including contract assets) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade receivables from related parties presented under amounts due from related parties) and contract assets. The ECL on these assets are assessed individually for credit-impaired debtors and/or collectively using a provision matrix with appropriate groupings.

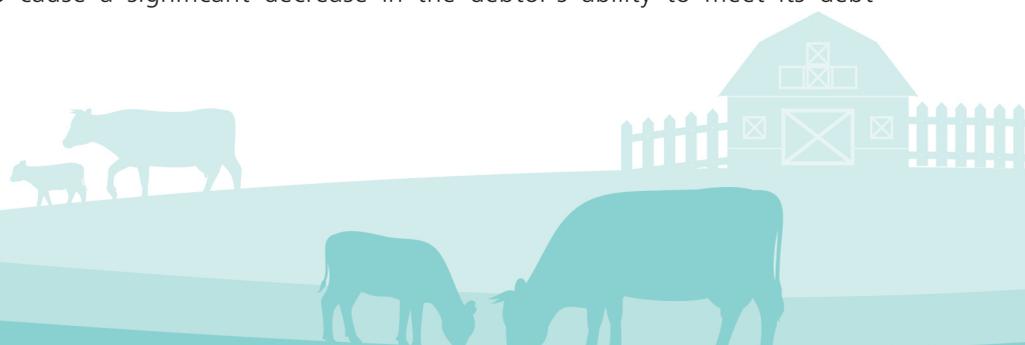
For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

*Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)*

(i) Significant increase in credit risk *(continued)*

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

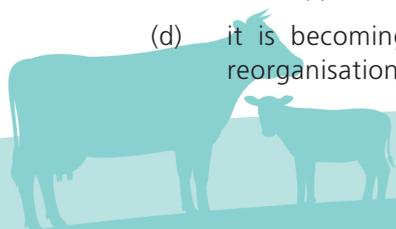
For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

*Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade and other receivables are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The ECL on trade receivables and contract assets, except for those assessed individually for credit-impaired debtors, is measured on a collective basis and those financial instruments are grouped under a provision matrix based on shared credit risk characteristics by reference to aging for the debtors.

The Group recognises an impairment gain or loss in profit or loss for all financial assets at amortised cost by adjusting their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information *(continued)*

### Financial instruments *(continued)*

#### Financial assets *(continued)*

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### Financial liabilities and equity

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at amortised cost*

Financial liabilities including trade and bills payables, other payables, bank and other borrowings, amounts due to related parties, other liabilities and debt component of convertible notes, are subsequently measured at amortised cost, using the effective interest method.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 4. Material Accounting Policy Information (*continued*)

### Financial instruments (*continued*)

#### Financial liabilities and equity (*continued*)

##### *Convertible notes*

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. When a change in functional currency occurs and, as a consequence, the conversion feature no longer meets the definition of financial liability, reclassification is considered.

The fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to capital reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group extinguishes convertible notes before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Group when the convertible notes were issued. Any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Fair value measurements of biological assets – milkable cows

The Group's biological assets are measured at fair value less costs to sell at the end of the reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For milkable cows, the fair value is determined by using the multi-period excess earnings method which is based on the discounted future cash flows to be generated by such milkable cows. The management's estimation is primarily based on the discount rate, the estimated local future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram ("kg") of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets – milkable cows significantly. The carrying amount of the Group's milkable cows as at December 31, 2023 was RMB8,385,409,000 (2022: RMB7,204,357,000). Further details are given in Notes 22 and 46.

### Estimated impairment of property, plant and equipment and right-of-use assets

The carrying amounts of property, plant and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policies as disclosed in the relevant parts in Note 4. The recoverable amounts of these assets are the higher of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Any change in these estimates may have a material impact on the results of the Group.

As at December 31, 2023, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB15,181,413,000 (2022: RMB12,965,610,000) and RMB2,735,677,000 (2022: RMB2,455,583,000), respectively as disclosed in Notes 17 and 19.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 5. Key Sources of Estimation Uncertainty *(continued)*

### Provision of ECL for trade receivables

Credit-impaired trade receivables are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors that have similar loss patterns taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 27 and 45.

### Estimated impairment of goodwill

Determining whether goodwill is impaired requires a significant degree of estimates made by the management in determining the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined by a value in use calculation of the relevant cash-generating units, to which goodwill has been allocated, primarily based on the cash flow projections and a discount rate. The key assumptions and inputs used in cash flow projections including selling price, volume of sales, gross profit margin, growth rate and discount rate. The value in use requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, further impairment loss may arise.

As at December 31, 2023, the carrying amount of goodwill was RMB672,014,000 (2022: RMB792,980,000). Details are disclosed in Note 20.

### Estimated impairment of interests in associates

As at December 31, 2023, in view of impairment indicators, the Group performed impairment assessment on its interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate its share of the present value of the estimated future cash flows expected to be generated by the associate taking into consideration assumptions including gross profit margin, discount rate and growth rate. Where the actual cash flows are less than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, an impairment loss may arise, which would be recognised in profit or loss for the period in which such a change takes place.

As at December 31, 2023, the carrying amount of the interests in associates amounted to RMB1,047,147,000 (2022: RMB1,156,647,000). Details are disclosed in Note 24.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information

### (i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Types of goods:		
Sales of raw milk	12,902,987	10,853,917
Sales of feeds	5,209,450	6,576,398
Sales of ruminant farming products	396,773	468,644
Sales of breeding products	184,686	151,802
	<b>18,693,896</b>	<b>18,050,761</b>
Timing of revenue recognition:		
A point in time	<b>18,693,896</b>	<b>18,050,761</b>

### (ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells raw milk, feeds, ruminant farming products and breeding products directly to its customers. Revenue is recognised when control of the goods has transferred, being at the point the customer received and accepted the goods.

For the sale of raw milk, payments are generally due in two weeks after delivery. The credit term for the sale of feeds, ruminant farming products and breeding products is normally one to three months for certain large customers and customers having long business relationship with the Group. The Group requests advance payments for certain new customers and such advance payments are recorded as contract liabilities until the control of the goods is transferred to the customers.

### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Most of the sale contracts are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Information regarding segments is reported below.

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by senior management, which composed of executive directors of the Company and top management (being chief operating decision maker (the "CODM")), in order to allocate resources to operating segments and to assess their performance focuses on types of products delivered. Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

- Raw milk business – raising and breeding dairy cows, and raw milk production
- Comprehensive ruminant farming solutions – trading, production and sales of feeds, ruminant farming products, and breeding products



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information *(continued)*

### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended December 31, 2023

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
<b>Segment revenue</b>					
External customers	12,902,987	5,790,909	18,693,896	-	18,693,896
Inter-segment revenue	-	2,295,293	2,295,293	(2,295,293)	-
	12,902,987	8,086,202	20,989,189	(2,295,293)	18,693,896
<b>Segment results</b>	2,907,087	421,018	3,328,105		3,328,105
Loss arising from changes in fair value less costs to sell of biological assets					(3,613,271)
Share of losses of associates					(126,559)
Share of loss of a joint venture					(541)
Fair value gain on financial assets at FVTPL					160,429
Impairment loss recognised in respect of goodwill					(120,966)
Unallocated other income and expenses					(146,296)
Unallocated finance costs					(840,405)
<b>Loss before tax</b>					<b>(1,359,504)</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information (continued)

### Segment revenue and results (continued)

For the year ended December 31, 2022

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
<b>Segment revenue</b>					
External customers	10,853,917	7,196,844	18,050,761	–	18,050,761
Inter-segment revenue	–	2,049,064	2,049,064	(2,049,064)	–
	10,853,917	9,245,908	20,099,825	(2,049,064)	18,050,761
<b>Segment results</b>	2,712,863	414,232	3,127,095		3,127,095
Loss arising from changes in fair value less costs to sell of biological assets					(1,617,116)
Share of losses of associates					(35,531)
Share of profit of a joint venture					4
Fair value gain on financial assets at FVTPL					19,338
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group					49,234
Unallocated other income and expenses					(145,508)
Unallocated finance costs					(922,246)
<b>Profit before tax</b>					475,270

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit before tax earned by each segment without allocation of central administration costs, corporate income and expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value gain on financial assets at FVTPL, impairment loss recognised in respect of goodwill, reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group, share of profit/(loss) of a joint venture, share of losses of associates and certain finance costs that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenue is charged at prices agreed between group entities, which are determined by reference to the prices offered to third party customers.

### Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information (continued)

### Other segment information

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended December 31, 2023					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	483,915	60,867	544,782	6,467	551,249
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	1,085	5,544	6,629	–	6,629
Impairment loss of property, plant and equipment	7,879	–	7,879	–	7,879
Fair value gains on derivative financial instruments	(2,792)	(852)	(3,644)	–	(3,644)
Gains on termination of lease agreements	(1,454)	–	(1,454)	–	(1,454)
Loss on disposal of property, plant and equipment	8,624	9,907	18,531	–	18,531
Interest income	(9,668)	(2,978)	(12,646)	(15,588)	(28,234)
Finance costs	193,617	48,570	242,187	840,405	1,082,592
Amounts not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (Note)	8,893,193	80,423	8,973,616	–	8,973,616
Investments in associates	–	–	–	1,047,147	1,047,147
Investment in a joint venture	–	–	–	4,301	4,301
Share of losses of associates	–	–	–	126,559	126,559
Share of loss of a joint venture	–	–	–	541	541



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information (continued)

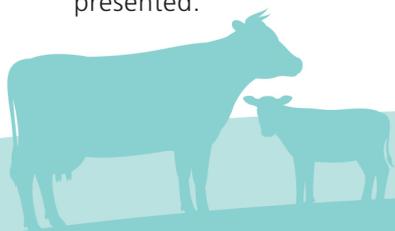
### Other segment information (continued)

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended December 31, 2022					
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortisation charged to profit or loss	375,165	53,878	429,043	10,566	439,609
(Reversal of impairment loss)/impairment loss of trade and other receivables under expected credit loss model, net of reversal	(6,483)	39,222	32,739	–	32,739
Impairment loss of property, plant and equipment	3,522	–	3,522	–	3,522
Fair value losses on derivative financial instruments	27,413	–	27,413	–	27,413
Gains on termination of lease agreements	(673)	–	(673)	–	(673)
Reversal of provision regarding to a civil litigation	(4,247)	–	(4,247)	–	(4,247)
(Gain)/loss on disposal of property, plant and equipment	(1,179)	3,179	2,000	–	2,000
Interest income	(7,381)	(3,495)	(10,876)	(12,308)	(23,184)
Finance costs	121,705	53,534	175,239	922,246	1,097,485
<b>Amounts not included in the measure of segment profit or loss or segment assets</b>					
Additions to non-current assets (Note)	9,570,432	178,137	9,748,569	–	9,748,569
Investments in associates	–	–	–	1,156,647	1,156,647
Investment in a joint venture	–	–	–	4,758	4,758
Share of losses of associates	–	–	–	35,531	35,531
Share of profit of a joint venture	–	–	–	(4)	(4)

Note: Non-current assets excluded goodwill, financial instruments, deferred tax assets, interests in associates and interest in a joint venture.

### Geographic information

Since all revenue from external customers is derived from the customers located in Mainland China and all of the non-current assets are located in Mainland China, no geographic information is presented.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 6. Revenue and Segment Information *(continued)*

### Revenue from major customers

Revenue from the customer individually contributing over 10% of the total revenue of the Group is as follows:

	2023 RMB'000	2022 RMB'000
Customer A:		
Revenue from sales of raw milk	12,447,239	10,485,086
Revenue from sales of feeds	171,542	119,506
Revenue from ruminant farming products	449	422
Revenue from breeding products	14,063	12,754
	<b>12,633,293</b>	<b>10,617,768</b>

## 7. Cost of Sales

An analysis of cost of sales is as follows:

	2023 RMB'000	2022 RMB'000
Cost of raw milk sold before fair value adjustments	9,206,651	7,441,870
Raw milk fair value adjustments	3,286,737	3,132,382
Cost of raw milk sold after fair value adjustments	12,493,388	10,574,252
Cost of feeds sold before forage grass fair value adjustments	4,582,318	5,912,629
Forage grass fair value adjustments	(11,491)	(573)
Cost of feeds sold after fair value adjustments	4,570,827	5,912,056
Cost of ruminant farming products sold	321,386	394,853
Cost of breeding products	113,756	77,687
Total cost of sales	<b>17,499,357</b>	<b>16,958,848</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 8. Other Income

An analysis of other income is as follows:

	2023 RMB'000	2022 RMB'000
Government grants released from deferred income (Note 36)	190,578	145,875
Incentive subsidies (Note)	182,799	155,316
Rental income	19,804	9,612
Bank interest income	22,208	16,514
Interest income from Yili Group	6,026	6,670
Income from sale of scrap materials	11,911	10,816
Compensation income	2,109	1,938
Write-back of other payables	5,003	3,735
Others	13,383	12,414
	<b>453,821</b>	<b>362,890</b>

Note:

The amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and subsidies for the purpose of giving financial support to the Group's operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

### 9. Impairment Loss Under Expected Credit Loss Model, Net of Reversal

	2023 RMB'000	2022 RMB'000
Impairment loss recognised/(reversed) on:		
Trade receivables	3,971	33,450
Other receivables	2,658	(711)
	<b>6,629</b>	<b>32,739</b>

Details of impairment assessments are set out in Note 45.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 10. Other Gains and Losses

	2023 RMB'000	2022 RMB'000
Foreign exchange differences, net	47	3,309
Loss on disposal of property, plant and equipment, net	(18,531)	(2,000)
Impairment loss on property, plant and equipment	(7,879)	(3,522)
Impairment loss on investment property	(3,441)	–
Fair value gain/(loss) on derivative financial instruments (Note)	3,644	(27,413)
Fair value gain on financial assets at FVTPL	160,429	19,338
(Loss)/gain on partial redemption of convertible notes	(918)	901
Gain on termination of lease agreements	1,454	673
Reversal of provision regarding to a civil litigation	–	4,247
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group	–	49,234
Recovery of pre-acquisition doubtful debt of SKX Group	29	3,447
Others	717	(215)
	<b>135,551</b>	<b>47,999</b>

Note:

The fair value changes mainly represent gain/loss on commodity forward contracts entered as an economic hedge of the market price fluctuations on soybean meal and corn. The Group did not have open positions at the respective year end.

## 11. Finance Costs

	2023 RMB'000	2022 RMB'000
Interest on:		
Bank and other borrowings	850,078	435,914
Other liabilities	558	907
Lease liabilities	75,282	68,542
Unwinding of the discount of other provisions	850	450
Convertible notes (Note 40)	216,347	628,269
	<b>1,143,115</b>	<b>1,134,082</b>
Less: Amounts capitalised to construction in progress	(60,523)	(36,597)
	<b>1,082,592</b>	<b>1,097,485</b>

Borrowing costs capitalised to qualifying assets were based on actual borrowing costs incurred for specific and general borrowings.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 12. Income Tax Expense

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	87,355	80,320
Underprovision/(overprovision) in prior periods:		
PRC EIT	402	(4,200)
Deferred tax (Note 23)	5,631	(6,836)
	<b>93,388</b>	<b>69,284</b>

The Company is incorporated as an exempted company and as such is not subject to Cayman Islands taxation.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong (2022: Nil).

Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC. In addition, certain subsidiaries operating in the PRC, including Inner Mongolia Youran Dairy Co., Ltd., Muquan Yuanxing Feed, Ningxia Bio-Technology, Wulanchabu Muquan Yuanxing Feed and Bayannur Muquan Yuanxing Feed (as defined in Note 52) are eligible for preferential tax rate of 15% under relevant preferential tax policy in relation to PRC western development. According to the preferential tax policy of Ningxia, the PRC, for promoting local investment (Ningzheng Fa [2012] No. 97), Ningxia Yikangyuan Bio-Technology Co., Ltd. is eligible for 20% EIT reduction from 2021 to 2023 on the basis of 15% tax rate. According to preferential tax policy of Heilongjiang, the PRC, for promoting local investment (Heizheng Han [2021] No.102), Duerbote Muquan Yuanxing Feed is eligible for 40% EIT reduction from 2022.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2022: 25%).

The income tax expense can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax	(1,359,504)	475,270
Tax at the statutory rate of 25% (2022: 25%)	(339,876)	118,818
Tax effect of expenses not deductible for tax purpose	36,143	5,166
Effect of PRC tax exemption granted to agricultural business	284,684	(188,582)
Preferential income tax rates applicable to PRC subsidiaries	(39,932)	(34,819)
Effect of tax exemption granted to the Company	124,442	169,457
Underprovision/(overprovision) in respect of prior periods	402	(4,200)
Tax effect of additional deduction on certain research and development expenses	(11,136)	(5,438)
Tax effect of share of loss/(profit) of a joint venture	135	(1)
Tax effect of share of losses of associates	31,640	8,883
Tax effect of tax losses not recognised	8,281	-
Tax effect of recognition of deductible temporary differences previously not recognized	(1,395)	-
Income tax expense	<b>93,388</b>	<b>69,284</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 13. (Loss)/Profit for the Year

The Group's (loss)/profit for the year is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Depreciation of:		
Property, plant and equipment	914,188	713,712
Investment properties	1,929	1,929
Right-of-use assets	199,768	165,494
Amortisation of intangible assets	2,412	2,441
Total depreciation and amortisation	1,118,297	883,576
Less: Capitalised in biological assets	(465,749)	(355,397)
Capitalised in construction in progress	(6,405)	(10,126)
Capitalised in inventories	(94,894)	(78,444)
Depreciation and amortisation charged directly to profit or loss	551,249	439,609
Lease payments not included in the measurement of lease liabilities	30,028	36,308
Less: Capitalised in biological assets	(15,346)	(14,053)
Capitalised in inventories	(156)	(888)
	14,526	21,367
Auditors' remuneration	7,350	6,950
Research and development costs recognised in profit or loss	64,846	58,691
Employee benefits expense (including directors' remuneration as disclosed in Note 14):		
Salaries and allowances	1,163,879	1,011,913
Retirement benefit scheme contributions	136,725	115,306
Total staff costs	1,300,604	1,127,219
Less: Capitalised in biological assets	(423,638)	(395,988)
	876,966	731,231



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 14. Directors', Chief Executive's and Employees' Emoluments

### (a) Directors' emoluments

Details of the emoluments paid or payable to the directors and the chief executive of the Company are as follows:

	Directors' fees RMB'000	Salaries and allowance RMB'000	Discretionary performance – related payments RMB'000 (Note (iii))	Retirement benefit scheme contributions RMB'000	Total RMB'000
<b>Year ended December 31, 2023:</b>					
<i>Executive directors:</i>					
Mr. Yuan Jun	–	1,673	2,000	40	3,713
Mr. Dong Jiping	–	1,104	–	40	1,144
<i>Non-executive directors:</i>					
Mr. Zhang Yujun (Note (ii))	–	–	–	–	–
Mr. Wu Xiang (Note (ii))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,777	2,000	80	5,457
<b>Year ended December 31, 2022:</b>					
<i>Executive directors:</i>					
Mr. Zhang Xiaodong (Note (i))	–	749	–	22	771
Mr. Yuan Jun (Note (i))	–	964	–	16	980
Mr. Dong Jiping	–	857	–	38	895
<i>Non-executive directors:</i>					
Mr. Zhang Yujun	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,570	–	76	3,246



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 14. Directors', Chief Executive's and Employees' Emoluments (*continued*)

### (a) Directors' emoluments (*continued*)

Notes:

- (i) Mr. Zhang Xiaodong resigned as executive director and the chief executive of the Company on July 22, 2022. Mr. Yuan Jun was appointed as executive director and the chief executive of the Company on July 22, 2022.
- (ii) Mr. Zhang Yujun resigned as non-executive director and the chairman of the Company on July 28, 2023. Mr. Wu Xiang was appointed as non-executive director and the chairman of the Company on July 28, 2023.
- (iii) The discretionary performance-related payments are determined based on the performance of the directors and the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

### (b) Employees' emoluments

The five highest paid individuals of the Group included one (2022: nil) directors for the year ended December 31, 2023, details of whose remuneration are set out above. The emoluments of the remaining four (2022: five) individuals for the year ended December 31, 2023 are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	5,819	6,088
Retirement benefit scheme contributions	162	182
	<b>5,981</b>	<b>6,270</b>

The number of the highest paid individuals who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2023	2022
HK\$1,000,001 to HK\$1,500,000	1	4
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	1	–
	<b>4</b>	<b>5</b>

No remuneration was paid by the Group to any of the directors, the chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the year (2022: Nil). None of the directors and the chief executive has waived or agreed to waive any emoluments for the year (2022: Nil).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 15. (Loss)/Earnings Per Share

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	(1,049,980)	414,771

	2023 '000	2022 '000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	3,795,404	3,795,404

The computation of diluted (loss)/earnings per share for the years ended December 31, 2023 and 2022 does not assume the conversion of the Company's convertible notes since their assumed conversion would result in a decrease in loss per share or an increase in earnings per share.

## 16. Dividend

During the year ended December 31, 2023, a final dividend of RMB0.022 per share in respect of the year ended December 31, 2022 (2022: no final dividend in respect of the year ended December 31, 2021) was proposed and paid for ordinary shareholders of the Company. The aggregate amount of the final dividend proposed and paid in the current year amounted to RMB83,499,000 (2022: nil) and was appropriated from the Company's share premium.

No dividend was proposed for ordinary shareholders of the Company in respect of the year ended December 31, 2023, nor has any dividend been proposed since the end of the reporting period.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 17. Property, Plant and Equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST:</b>								
At January 1, 2022	7,458,743	12,907	1,834,486	335,162	159,810	39,127	2,341,116	12,181,351
Additions	13,937	279	364,977	93,926	25,048	5,490	3,141,930	3,645,587
Disposals	(3,447)	-	(23,184)	(7,739)	(3,089)	(6,464)	(67,458)	(111,381)
Transfer	2,127,185	-	240,007	440	2,397	-	(2,370,029)	-
Transferred to intangible assets (Note 21)	-	-	-	-	-	-	(13,344)	(13,344)
At December 31, 2022	9,596,418	13,186	2,416,286	421,789	184,166	38,153	3,032,215	15,702,213
Additions	59,092	166	737,855	95,337	32,743	-	2,243,684	3,168,877
Disposals	(37,094)	(123)	(22,754)	(13,643)	(12,788)	-	-	(86,402)
Transfer	3,231,060	-	174,821	1,267	6,516	-	(3,413,664)	-
Transferred to intangible assets (Note 21)	-	-	-	-	-	-	(4,025)	(4,025)
At December 31, 2023	12,849,476	13,229	3,306,208	504,750	210,637	38,153	1,858,210	18,780,663
<b>ACCUMULATED DEPRECIATION:</b>								
At January 1, 2022	1,245,710	1,778	584,154	96,318	68,165	26,747	-	2,022,872
Provided for the year	420,797	599	224,401	40,088	26,151	1,676	-	713,712
Disposals	(195)	-	(19,017)	(7,202)	(2,602)	(531)	-	(29,547)
At December 31, 2022	1,666,312	2,377	789,538	129,204	91,714	27,892	-	2,707,037
Provided for the year	557,832	747	297,874	49,439	6,465	1,831	-	914,188
Disposals	(17,533)	(4)	(17,467)	(12,576)	(10,459)	-	-	(58,039)
At December 31, 2023	2,206,611	3,120	1,069,945	166,067	87,720	29,723	-	3,563,186
<b>ACCUMULATED IMPAIRMENT:</b>								
At January 1, 2022	22,516	-	4,322	11	-	-	-	26,849
Provided for the year	3,422	-	100	-	-	-	-	3,522
Disposals	-	-	(805)	-	-	-	-	(805)
At December 31, 2022	25,938	-	3,617	11	-	-	-	29,566
Provided for the year	7,844	-	35	-	-	-	-	7,879
Disposals	(1,371)	-	(10)	-	-	-	-	(1,381)
At December 31, 2023	32,411	-	3,642	11	-	-	-	36,064
<b>CARRYING AMOUNTS:</b>								
At December 31, 2023	10,610,454	10,109	2,232,621	338,672	122,917	8,430	1,858,210	15,181,413
At December 31, 2022	7,904,168	10,809	1,623,131	292,574	92,452	10,261	3,032,215	12,965,610



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 17. Property, Plant and Equipment (*continued*)

The above items of property, plant and equipment (other than construction in progress) after taking into account of their estimated residual values, are depreciated on a straight-line basis over the following periods:

Buildings	15 to 40 years
Leasehold improvements	Shorter of 5 to 10 years and the remaining terms of the lease
Machinery and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Electronic equipment	5 years
Bearer plants (mainly alfalfa hay roots)	5 years

At December 31, 2023, building ownership certificates in respect of certain buildings of the Group with an aggregate carrying amount of RMB79,073,000 (2022: RMB117,078,000) had not been issued by the relevant PRC authorities.

### 18. Investment Properties

	2023 RMB'000	2022 RMB'000
<b>COST:</b>		
At the beginning and the end of the year	54,296	54,296
<b>ACCUMULATED DEPRECIATION:</b>		
At the beginning of the year	25,663	23,734
Provided for the year	1,929	1,929
At the end of the year	27,592	25,663
<b>ACCUMULATED IMPAIRMENT:</b>		
At the beginning of the year	4,818	4,818
Provided for the year	3,441	–
At the end of the year	8,259	4,818
<b>CARRYING AMOUNTS:</b>		
At the beginning of the year	23,815	25,744
At the end of the year	18,445	23,815



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 18. Investment Properties (continued)

The above investment properties are measured using the cost model and represent dairy farms located in Mainland China and are depreciated on a straight-line basis over 15 to 40 years.

The fair value of the Group's investment properties at December 31, 2023 was RMB30,319,000 (2022: RMB32,251,000) which has been arrived at on the basis of a valuation carried out as at that date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), independent qualified professional valuer which is not connected to the Group.

The fair value was determined based on the cost approach, which values the investment properties with reference to their depreciated replacement cost as at the valuation date. There has been no change in the valuation techniques from prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Group's investment properties as at December 31, 2023 are grouped into Level 3 of fair value measurement.

## 19. Right-of-Use Assets

	Leasehold lands RMB'000	Properties RMB'000	Machinery and equipment RMB'000	Total RMB'000
Carrying amounts as at January 1, 2022	2,053,396	108,425	24,764	2,186,585
Additions	400,161	6,658	34,379	441,198
Early termination of lease agreements	(649)	(6,015)	(42)	(6,706)
Depreciation provided for the year	(138,795)	(19,862)	(6,837)	(165,494)
Carrying amounts as at December 31, 2022	2,314,113	89,206	52,264	2,455,583
Additions	458,857	47,338	8,559	514,754
Early termination of lease agreements	(26,019)	–	–	(26,019)
Depreciation provided for the year	(164,068)	(28,047)	(7,653)	(199,768)
Sublease classified as a finance lease	(8,873)	–	–	(8,873)
Carrying amounts as at December 31, 2023	2,574,010	108,497	53,170	2,735,677



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 19. Right-of-Use Assets (continued)

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Expense relating to short-term leases*	21,194	27,890
Variable lease payments not included in the measurement of lease liabilities (Note)	8,834	8,418
Total cash outflow for leases	223,376	297,867

\* Before capitalisation to biological assets and inventories

Note:

Lease payments for certain machineries and equipment are variable payments, and determined based on the usage of the machineries and equipment, respectively, during the relevant lease periods.

The Group leases various lands, properties, machinery and equipment to operate its business. Lease contracts are entered into for fixed terms of 2 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for motor vehicles, machinery and equipment and buildings. As at the end of the year, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

### Restrictions or covenants on leases

Lease liabilities of RMB1,822,701,000 (2022: RMB1,556,991,000) were recognised with related right-of-use assets with an aggregate carrying amount of RMB1,923,109,000 (2022: RMB1,600,373,000) as at December 31, 2023. These lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## 20. Goodwill

	2023 RMB'000	2022 RMB'000
<b>COST:</b>		
At the beginning and the end of the year	792,980	792,980
<b>ACCUMULATED IMPAIRMENT:</b>		
At the beginning of the year	–	–
Provided for the year	120,966	–
At the end of the year	120,966	–
<b>CARRYING AMOUNT:</b>		
At beginning of the year	792,980	792,980
At the end of the year	672,014	792,980

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 20. Goodwill (continued)

For the purpose of impairment testing, goodwill has been allocated to two individual cash-generating units (“CGUs”). The Group’s goodwill of RMB762,741,000 arose from acquisition of Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司) (“SKX”, together with its subsidiaries, collectively “SKX Group”) in 2020, and RMB30,239,000 arose from acquisition of Fonterra (Yutian) Dairy Farm Co., Ltd. and Fonterra (Ying) Dairy Farm Co., Ltd. (collectively as “Fonterra China Farms Group”) in 2021. SKX Group and Fonterra China Farms Group mainly engaged in dairy farming business in the raw milk business segment.

The recoverable amount of the CGUs of SKX Group and Fonterra China Farms Group have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the CGUs covering the following 5 years. The discount rate used for the cash flow projection is the pre-tax rate of 13% (2022: 13%). The cash flows beyond the five-year period are extrapolated using 2.5% growth rate per annum (2022: 2.5%). Other key assumptions for the value in use calculations include selling price, volume of sale and gross profit margin which are determined based on the CGUs’ past performance and management expectations for the market development.

### (i) SKX Group

During the year ended December 31, 2023, the financial performance of SKX Group is worse than expected, the management of the Group has consequently determined impairment of goodwill directly related to SKX Group amounting to RMB120,966,000 (2022: Nil). The impairment loss was recognised in profit or loss.

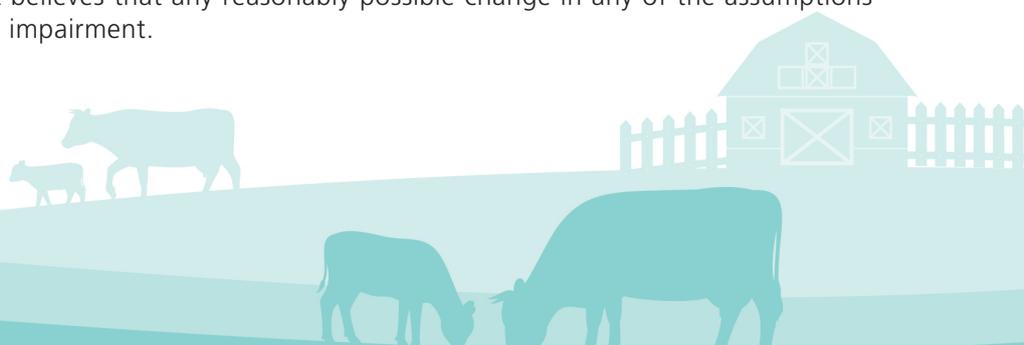
As at December 31, 2023, if the discount rate was changed to 12.72%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount and no impairment loss of goodwill will be recognised. If the growth rate beyond the five-year period was changed to 2.20%, while other parameters remain constant, the recoverable amount of SKX Group would be reduced to RMB3,399,417,000 and a further impairment loss of goodwill of RMB90,611,000 would be recognised.

As at December 31, 2022, the recoverable amount of SKX Group exceeds its carrying amount by RMB219,793,000. If the discount rate was changed to 13.23%, or the growth rate beyond the five-year period were reduced by 0.28%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount.

### (ii) Fonterra China Farms Group

During the years ended December 31, 2023 and 2022, the management of the Group determines that there is no impairment on Fonterra China Farms Group.

The recoverable amount of Fonterra China Farms Group is significantly above its carrying amount. Management believes that any reasonably possible change in any of the assumptions would not result in an impairment.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 21. Intangible Assets

	Computer software RMB'000	Patents RMB'000	Total RMB'000
<b>COST:</b>			
At January 1, 2022	5,769	733	6,502
Additions	7,982	–	7,982
Transferred from property, plant and equipment (Note 17)	13,344	–	13,344
At December 31, 2022	27,095	733	27,828
Additions	402	–	402
Transferred from property, plant and equipment (Note 17)	4,025	–	4,025
At December 31, 2023	<b>31,522</b>	<b>733</b>	<b>32,255</b>
<b>ACCUMULATED AMORTISATION:</b>			
At January 1, 2022	1,881	343	2,224
Provided for the year	2,268	173	2,441
At December 31, 2022	4,149	516	4,665
Provided for the year	2,238	174	2,412
At December 31, 2023	<b>6,387</b>	<b>690</b>	<b>7,077</b>
<b>CARRYING AMOUNTS:</b>			
At December 31, 2023	<b>25,135</b>	<b>43</b>	<b>25,178</b>
At December 31, 2022	22,946	217	23,163

The above intangible assets have finite useful lives, and are amortised on a straight-line basis over the following periods:

Computer software	10 years
Patents	10 to 15 years



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 22. Biological Assets

### A – Nature of activities

The biological assets of the Group are dairy cows held to produce raw milk (i.e. milkable cows, calves and heifers), feeder cattle, breeding stock and dairy goats. The quantity of the biological assets owned by the Group at the end of the reporting period is shown below:

	31/12/2023 Heads	31/12/2022 Heads
Dairy cows:		
Calves and heifers	298,531	267,742
Milkable cows	284,208	231,709
Feeder cattle	60	1,434
Breeding stock		
Breeding bulls and others	101	86
Breeding goats	88	–
Dairy goats (before production of milk)	7,707	–
<b>Total</b>	<b>590,695</b>	<b>500,971</b>

Milkable cows, calves and heifers are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets. Feeder cattle mainly include calves for sale to external customers and is classified as current assets.

The Group is exposed to financial risks arising from changes in price of the raw milk and frozen bovine semen. The Group does not anticipate that the price of the raw milk and frozen bovine semen will decline significantly in the foreseeable future and the management of the Group is of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the raw milk and frozen bovine semen.

In general, heifers are inseminated when they reached approximately 14 months old. After an approximately 285-day pregnancy term, 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 to 340 days before approximately 60 days dry period. When a heifer begins to produce raw milk, it is transferred to the category of milkable cows based on the estimated fair value on the date of transfer.

The Group's dairy goats held at December 31, 2023 are dairy goats that have not had their first kids.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 22. Biological Assets (continued)

### A – Nature of activities (continued)

The Group is exposed to a number of risks related to its biological assets as follows:

#### i. Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

#### ii. Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

### B – Quantity of the agricultural produce of the Group's biological assets

	Year ended 31/12/2023	Year ended 31/12/2022
Volume of raw milk produced for sale (Ton)	2,945,840	2,328,512
Volume of breeding products produced for sale (Straw/unit)	1,368,707	1,230,050

### C – Value of biological assets

The fair values of biological assets at the end of the reporting period are set out below:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Dairy cows:		
Calves and heifers	6,051,392	5,931,614
Milkable cows	8,385,409	7,204,357
Feeder cattle	212	8,490
Breeding stock		
Breeding bulls and others	56,507	85,447
Breeding goats	1,379	–
Dairy goats (before production of milk)	111,211	–
Total	14,606,110	13,229,908
Less: current portion classified under current assets	(212)	(8,490)
Non-current portion classified under non-current assets	14,605,898	13,221,418



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 22. Biological Assets (continued)

#### C – Value of biological assets (continued)

The movements in biological assets are set out below:

	Calves and heifers RMB'000	Milkable cows RMB'000	Breeding bulls and others RMB'000	Breeding goats RMB'000	Dairy goats RMB'000	Total non-current assets RMB'000	Feeder cattle RMB'000
At January 1, 2022	3,675,802	6,660,982	71,595	–	–	10,408,379	7,701
Purchase cost	936,264	–	2,122	–	–	938,386	–
Feeding and other related costs	4,437,714	–	6,594	–	–	4,444,308	88,757
Transfer	(3,716,363)	3,716,363	–	–	–	–	–
Decrease due to disposal/death	(170,636)	(814,988)	(2,064)	–	–	(987,688)	(52,819)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	768,833	(2,358,000)	7,200	–	–	(1,581,967)	(35,149)
At December 31, 2022	5,931,614	7,204,357	85,447	–	–	13,221,418	8,490
Purchase cost	376,129	37,931	8,863	1,129	81,978	506,030	–
Feeding and other related costs	5,522,448	–	6,151	472	29,329	5,558,400	14,210
Transfer	(5,237,576)	5,237,793	–	–	–	217	(217)
Decrease due to disposal/death	(86,556)	(982,095)	(1,641)	(32)	(708)	(1,071,032)	(18,135)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(454,667)	(3,112,577)	(42,313)	(190)	612	(3,609,135)	(4,136)
At December 31, 2023	6,051,392	8,385,409	56,507	1,379	111,211	14,605,898	212

The directors of the Company have engaged an independent valuer, Jones Lang LaSalle, independent qualified professional valuer which is not connected to the Group, to assist the Group in assessing the fair values of Group's biological assets. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 46.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 22. Biological Assets (continued)

#### C – Value of biological assets (continued)

The aggregate gain arising on initial recognition of agricultural produce (including raw milk, raw semen and forage grass) and the aggregate loss arising from the change in fair value less costs to sell of biological assets is analysed as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	3,275,246	3,131,809
Loss arising from changes in fair value less costs to sell of biological assets	(3,613,271)	(1,617,116)
	(338,025)	1,514,693

### 23. Deferred Tax Assets/Liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Deferred tax assets	35,388	24,345
Deferred tax liabilities	(7,292)	(6,192)
	28,096	18,153

The following are the major deferred tax liabilities and assets recognised and movements.

	ECL provision RMB'000	Impairment loss on assets RMB'000	Government grants RMB'000	Fair value adjustments RMB'000 (Note)	Lease liabilities RMB'000	Right of use assets RMB'000	Equity instruments at FVTOCI RMB'000	Total RMB'000
At January 1, 2022	13,274	1,339	3,138	(6,434)	-	-	-	11,317
Credited/(charged) to profit or loss	5,714	(174)	1,054	242	-	-	-	6,836
At December 31, 2022	18,988	1,165	4,192	(6,192)	-	-	-	18,153
(Charged)/credited to profit or loss	(9,304)	3,186	160	277	1,427	(1,377)	-	(5,631)
Credited to other comprehensive income	-	-	-	-	-	-	15,574	15,574
At December 31, 2023	9,684	4,351	4,352	(5,915)	1,427	(1,377)	15,574	28,096

Note:

The deferred tax liabilities for fair value adjustments related to the fair value adjustments of certain land use rights and property, plant and equipment upon acquisition of subsidiaries in 2016.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 23. Deferred Tax Assets/Liabilities (continued)

Pursuant to the EIT Law, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008. At December 31, 2023 no deferred tax liability (2022: none) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at December 31, 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB6,473,089,000 (2022: RMB5,673,555,000).

### 24. Interests in Associates

	31/12/2023 RMB'000	31/12/2022 RMB'000
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(162,090)	(35,531)
Exchange adjustments	110,851	93,792
	<b>1,047,147</b>	<b>1,156,647</b>

Details of each of the Group's associates at the end of the reporting period are as follows:

	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest	Proportion of voting rights held by the Group	Principal activity
Wholesome Harvest Limited ("Wholesome") (Note i)	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken") (Note ii)	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

Notes:

- i. On March 2, 2022, the Company entered into a sale and purchase agreement with Ye Gu Investment Company Limited (the "Seller") and Mr. Zhang Jianshe, the sole shareholder of the Seller, pursuant to which the Company conditionally agreed to purchase, and the Seller conditionally agreed to sell approximately 27.16% of the total issued share capital in Wholesome, which wholly owns China Zhong Di Dairy Holdings Company Limited, at a total consideration of HK\$1,206,380,000 (equivalent to approximately RMB978,386,000). The transaction was completed on March 31, 2022. The directors of the Company consider that the Group is able to exercise significant influence over Wholesome and Wholesome is therefore accounted for as an associate of the Group.
- ii. During the year ended December 31, 2022, the Group made capital contribution of RMB120,000,000 in the establishment of Jiangsu Nongken, over which the Group is able to exercise significant influence and Jiangsu Nongken is therefore accounted for as an associate of the Group.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 24. Interests in Associates (continued)

### Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

#### Wholesome:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	1,055,681	1,054,319
Non-current assets	4,260,637	4,315,517
Current liabilities	(2,694,913)	(2,300,254)
Non-current liabilities	(209,412)	(227,454)

	For the year ended December 31, 2023 RMB'000	From March 31, 2022 (date of acquisition) to December 31, 2022 RMB'000
Revenue	2,068,564	1,566,450
Loss for the year	(430,135)	(129,134)
Total comprehensive expense for the year	(430,135)	(129,134)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Net assets of Wholesome	2,411,993	2,842,128
Proportion of the Group's ownership interest in Wholesome	27.16%	27.16%
The Group's share of net assets of Wholesome	655,097	771,922
Goodwill	171,392	171,392
Exchange difference	110,851	93,792
Carrying amount of the Group's interest in Wholesome	937,340	1,037,106



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 25. Equity Instruments at FVTOCI

	31/12/2023 RMB'000	31/12/2022 RMB'000
Unlisted equity investments in the PRC, at fair value	18,728	28,066

The above unlisted equity investments represent the Group's equity investment in certain private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

During the year, fair value loss of RMB9,338,000 was recorded and charged to other comprehensive income (2022: RMB6,873,000).

## 26. Inventories

	31/12/2023 RMB'000	31/12/2022 RMB'000
Raw materials	4,277,546	4,440,375
Finished goods	159,809	225,568
Semi-finished goods	8,246	8,391
Breeding products	59,257	18,450
	4,504,858	4,692,784

## 27. Trade Receivables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Trade receivables	847,469	1,421,352
Less: Allowance for credit losses	(55,398)	(109,253)
	792,071	1,312,099

Trade receivables from related parties are set out in Note 47.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 27. Trade Receivables (*continued*)

The following is the aged analysis of trade receivables, net of allowance for credit losses, presented based on the dates of delivery of goods:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 90 days	728,026	1,093,213
90 days to 180 days	47,101	155,196
181 days to 1 year	14,674	63,690
Over 1 year	2,270	–
	<b>792,071</b>	<b>1,312,099</b>

The following is the past due analysis of the carrying amount of trade receivables:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Not yet past due	719,885	994,772
Past due less than 30 days	27,709	118,809
Past due more than 30 days but less than 90 days	34,477	127,386
Past due more than 90 days	10,000	71,132
	<b>792,071</b>	<b>1,312,099</b>

The above trade receivables which have been past due more than 90 days are not considered as in default because these trade receivables relate to a number of independent customers for whom there was no recent history of default and they have a good track record with the Group.

For credit-impaired trade receivables, management will assess the corresponding expected credit loss individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors by groupings of customers with similar loss patterns (i.e., by product type and customer type) taking into consideration the Group's historical default rates and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further details of impairment assessment of trade receivables under IFRS 9 are set out in Note 45.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 28. Contract Assets

	31/12/2023 RMB'000	31/12/2022 RMB'000
Dairy farm equipment: Classified under current assets	2,278	7,116

As at January 1, 2022, contract assets amounted to RMB8,354,000.

## 29. Prepayments, Deposits and Other Receivables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Classified under current assets:		
Prepayments	298,682	695,531
Value-added tax recoverable	18,629	20,416
Deposits placed with brokers for commodity forward contracts	5,090	18,429
Rental receivables	9,379	8,333
Utility and other deposits	28,507	47,120
Compensation receivable	15,039	37,083
Advances to staff	1,022	1,308
Government grants receivables	–	27,338
Other receivables	12,356	8,566
	388,704	864,124
Less: Allowance for credit losses	(8,310)	(5,659)
	380,394	858,465
Classified under non-current assets:		
Pledged receivable (Note)	23,758	–
Finance lease receivables	5,259	–
Utility and other deposits	12,965	–
	41,982	–

Note:

The balance represents the dividend paid by SKX to the Group through China Securities Depository and Clearing Co., Ltd. As the Group has pledged 51.73% equity interest of SKX for certain long-term bank borrowings, the relevant dividend is also pledged and will be received by the Group upon the release of the pledged equity interest.

Details of impairment assessment of other receivables under IFRS 9 are set out in Note 45.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 30. Financial Assets at Fair Value Through Profit or Loss

	31/12/2023 RMB'000	31/12/2022 RMB'000
Negotiable certificate of deposits with certain banks, at fair value	–	1,919,338

During the years ended December 31, 2023 and 2022, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. The negotiable certificate of deposits carry fixed interest rate which range from 3.10% to 3.35% per annum.

The directors of the Company determine the deposits are mainly for the purpose of short-term fund management, which will be sold in the secondary market within one year, therefore the deposits are classified as current assets. The Group has disposed the negotiable certificate of deposits during the year ended December 31, 2023.

### 31. Bank Balances and Cash, Pledged and Restricted Bank Deposits

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.80% per annum as at December 31, 2023 (2022: 0.01% to 1.90%).

An analysis of pledged and restricted bank deposits is as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Deposits pledged to banks to secure banking facilities granted to the Group:		
Bills payable	5,153	8,001
Bank loans	–	100
Restricted bank deposits (Note)	141,874	404,663
	147,027	412,764
Less: classified under current assets	(134,087)	(401,097)
Non-current portion	12,940	11,667

Note:

The restricted bank deposits included deposits frozen under court orders in relation to ongoing litigations, deposits restricted to use for land rehabilitation and bank deposits that can be used only to finance the Group's investments in new dairy farms purpose.

The pledged and restricted bank deposits carry interest at rates ranging from 0.20% to 3.03% per annum as at December 31, 2023 (2022: 0.25% to 3.03% per annum).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 32. Trade and Bills Payables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Trade payables	1,348,343	2,479,966
Bills payable	764,849	208,612
	<b>2,113,192</b>	<b>2,688,578</b>

The following is an aged analysis of trade payables presented based on delivery dates.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 1 year	1,314,807	2,401,247
1 to 2 years	15,605	47,475
2 to 3 years	2,306	8,052
More than 3 years	15,625	23,192
	<b>1,348,343</b>	<b>2,479,966</b>

The maturity period of bills payable is normally within 1 year based on the invoice dates.

## 33. Other Payables and Accruals

	31/12/2023 RMB'000	31/12/2022 RMB'000
Payables for purchase of property, plant and equipment	1,187,316	1,196,639
Salaries and welfare payables	288,566	259,919
Deposits received from suppliers	163,385	177,377
Service and professional fee payables	145,755	86,559
Freight charges payables	96,373	80,401
Storage fee payables	14,083	18,681
Non-income tax related tax payables	17,885	16,766
Sundry payables and accrued expenses	69,387	55,358
Accrued listing expenses	–	1,811
	<b>1,982,750</b>	<b>1,893,511</b>



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 34. Contract Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Receipts in advance from customers for:		
Sales of raw milk	13	124
Sales of feeds	14,090	14,910
Sales of ruminant farming products	4,685	13,957
Sales of breeding products	4,944	4,768
Sales of feeder cattle	7,499	8,136
	<b>31,231</b>	<b>41,895</b>

As at January 1, 2022, contract liabilities amounted to RMB41,090,000.

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects the contract liabilities at the reporting period end will be recognised as revenue within one year.

Revenue recognised during the reporting period included the whole amount of contract liabilities at the beginning of the reporting period. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior years.

### 35. Bank and Other Borrowings

	31/12/2023 RMB'000	31/12/2022 RMB'000
Bank borrowings:		
Unsecured	24,823,071	18,838,786
Secured (Note (i))	1,213,390	1,560,901
Other borrowings (Note (ii))	223,127	159,369
	<b>26,259,588</b>	<b>20,559,056</b>
Fixed rate borrowing	7,364,111	5,558,570
Floating rate borrowing	18,895,477	15,000,486
	<b>26,259,588</b>	<b>20,559,056</b>
The carrying amounts of the above borrowings are repayable*:		
Within one year	16,433,086	13,827,675
More than one year but within two years	3,851,780	1,349,477
More than two years but within five years	4,147,876	3,892,704
More than five years	1,826,846	1,489,200
	<b>26,259,588</b>	<b>20,559,056</b>
Less: Amounts due within one year shown under current liabilities	<b>(16,433,086)</b>	<b>(13,827,675)</b>
Amounts shown under non-current liabilities	<b>9,826,502</b>	<b>6,731,381</b>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 35. Bank and Other Borrowings (continued)

The ranges of effective interest rates of the Group's borrowings are as follows:

	31/12/2023 %	31/12/2022 %
Effective interest rates:		
Floating rate borrowing	1.95 to 6.80	1.71 to 5.77
Fixed rate borrowing	2.10 to 4.00	2.35 to 4.10

Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China ("PBOC") and Secured Overnight Financing Rate ("SOFR").

Notes:

- (i) The secured bank borrowings of the Group are secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group.
- (ii) On August 30, 2022, the Group received a borrowing from the local government of approximately RMB216 million to finance the Group's investments in new dairy farms. The borrowing bears no interest in the first two years and bears a fixed interest of 2% per annum from the third year to the maturity date. The government loan with below-market rates of interest is initially measured at fair value based on prevailing market interest rate and the difference between proceeds received and the fair value of the loan is treated as a government grant.

On September 23, 2023, the Group received a borrowing from the local government of approximately RMB55 million to finance the capital expenditures of new dairy farms. The borrowing bears a fixed interest of 2.5% per annum to the maturity date.

## 36. Deferred Income

	2023 RMB'000	2022 RMB'000
Balance at beginning of the year	619,510	434,053
Government grants received	299,279	333,413
Released to other income (Note 8)	(190,578)	(145,875)
Others	-	(2,081)
Balance at end of the year	728,211	619,510

Deferred income arising from government grants of the Group represents:

- (i) the government grants received for capital expenditure incurred for the acquisition of property, plant and equipment and right-of-use assets. The amounts are deferred and are credited to the profit or loss on a systematic basis over the useful lives of the related assets.
- (ii) the government grant received for purchase of biological assets measured at fair value less costs to sell. The amount is recognised in profit or loss when the conditions attaching to the government grant are met.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 37. Lease Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Lease liabilities payable:		
Within one year	220,788	131,604
Within a period of more than one year but not more than two years	141,158	136,536
Within a period of more than two years but not more than five years	349,249	283,915
Within a period of more than five years	1,111,506	1,004,936
	<b>1,822,701</b>	1,556,991
Less: Amount due for settlement within 12 months shown under current liabilities	<b>(220,788)</b>	(131,604)
Amount due for settlement after 12 months shown under non-current liabilities	<b>1,601,913</b>	1,425,387

The Group leases lands, properties, machinery and equipment to operate its dairy farm business and these lease liabilities were measured at the present value of the lease payments that are not yet paid. As at December 31, 2023, the weighted average incremental borrowing rate applied ranging from 2.93% to 5.25% (2022: 3.83% to 5.25%) per annum.

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities of the Group were unguaranteed and secured by rental deposits.

### 38. Other Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Other liabilities	7,310	14,252
Less: Portion classified under current liabilities	<b>(7,310)</b>	(6,942)
Portion classified under non-current liabilities	–	7,310

Other liabilities represent purchase consideration for dairy cows to be settled by instalments in five years and bear interest at 5.3% per annum.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 39. Other Provisions

	31/12/2023 RMB'000	31/12/2022 RMB'000
Classified under current liabilities:		
Provisions for arbitration regarding the adjustments made to the consideration for acquisition of SKX Group	19,807	19,807
	<b>19,807</b>	19,807
Classified under non-current liabilities:		
Provision for land rehabilitation	22,535	9,124
	<b>42,342</b>	28,931

## 40. Convertible Notes

In November 2020, several pre-IPO investors (the "Pre-IPO Investors") entered into subscription agreements with the Company in relation to issue of convertible notes with an original aggregate principal amount of USD460 million (equivalent to approximately RMB3,051 million). The convertible notes are subject to cash interest and pay-in-kind interest (the "PIK Interest") on the outstanding principal amount at the rate of 4% per annum and 6% per annum, respectively. The cash interest is payable on the last day of each quarter in arrears commencing on December 31, 2021. The PIK Interest shall capitalise and be added into the then outstanding principal amount, whereupon PIK Interest shall accrue on the then outstanding principal amount plus any capitalised amount of PIK Interest at the same rate. Accrued and capitalised PIK Interest on any portion of the principal amount that is converted into ordinary shares of the Company shall be waived upon the completion of such conversion.

The key terms of the convertible notes are summarised as follows:

### (a) Conversion option

The Pre-IPO Investors shall have the right, but not the obligation, to convert the outstanding principal amount into such number of ordinary shares of the Company at any time subject to and in accordance with terms and conditions attached to the convertible notes. The initial conversion price upon issuance shall be USD0.44605 per ordinary share. The conversion price shall increase at a rate of 2% per annum, or 0.5% per quarter, on each interest payment date, commencing on the interest payment date immediately following the third anniversary of the issuance date.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 40. Convertible Notes (*continued*)

### (b) Redemption on maturity

The convertible notes will be matured on the third anniversary of the issuance date and, at the sole discretion of the Pre-IPO Investors, may be extended to the fifth anniversary of the issuance date. Unless the entire principal amount of the convertible notes have been redeemed or converted earlier in accordance with the terms thereof, the Company shall redeem the entire outstanding principal amount of the convertible notes in full together with accrued interest. The Pre-IPO Investors may at any time after the occurrence of an event of default as stipulated in the convertible notes instruments require the Company to redeem the outstanding principal amount of the convertible notes or any portion thereof at the redemption price as defined in the convertible notes instruments.

### (c) Early redemption

Upon the expiration of the fifteenth month of the issuance date, the Pre-IPO Investors has an one-off right to require the Company to redeem all outstanding principal amounts of this convertible notes (including the outstanding principal amount plus total accrued interest calculated at 10% per annum (cash interest and PIK Interest) on the principal), or any portion thereof.

The early redemption right of the convertible notes was expired in February 2022. On November 28, 2022 and June 2, 2023, the Company and certain of the Pre-IPO Investors, entered into the supplemental letter agreements, respectively, to amend certain terms and conditions of the convertible notes. Pursuant to the supplemental letter agreements, the Company has the right to redeem partial outstanding convertible note before the maturity date. The redemption price paid by the Company was determined with reference to the principal amount of the relevant convertible notes to be redeemed, together with the applicable interest accrued thereon up to the date of the redemption. The interest applicable to the redemption is the same as provided for in the existing convertible notes, which comprises the cash interest of 4% per annum and the PIK Interest of 6% per annum. Other terms and conditions of the convertible notes remain unchanged and valid, and the remaining convertible notes will continue to be held by the respective noteholders. The Company redeemed the convertible notes in the principal amounts of USD286 million in November 2022, and further redeemed the convertible notes in the principal amounts of USD75 million in June 2023.

On May 17, 2023, the conversion price was adjusted from US\$0.44505 to US\$0.44290 per share as a result of the payment of the final dividend in respect of the year ended December 31, 2022. The details were published in the Company's announcement dated May 17, 2023.

On November 3, 2023, the convertible notes were matured, and the Company redeemed the remaining convertible notes in the principal amounts of USD99 million.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

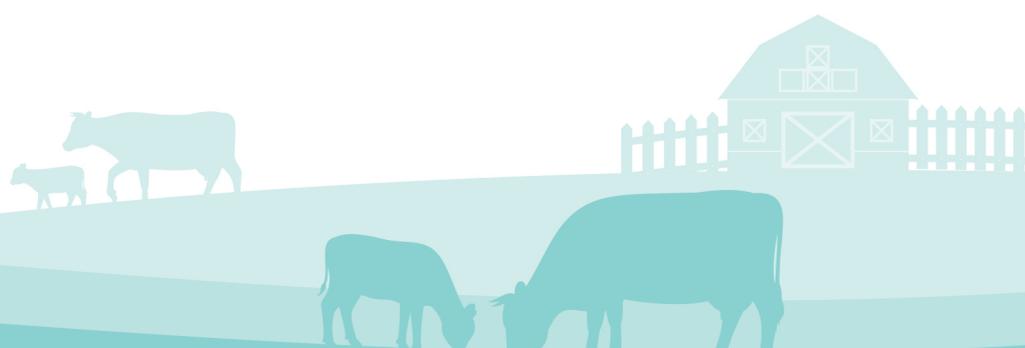
## 40. Convertible Notes (continued)

### (c) Early redemption (continued)

	Liability component at amortised cost RMB'000	Convertible notes equity reserve RMB'000	Total RMB'000
At January 1, 2022	2,407,292	963,384	3,370,676
Cash interest paid	(104,468)	–	(104,468)
Partial redemption	(1,898,954)	(286,303)	(2,185,257)
Gain on partial redemption	(901)	–	(901)
Effective interest expense charged for the year	628,269	–	628,269
Exchange differences	174,962	–	174,962
At January 1, 2023	1,206,200	677,081	1,883,281
Cash interest paid	(26,099)	–	(26,099)
Partial redemption/maturity	(1,412,309)	(37,974)	(1,450,283)
Loss on partial redemption	918	–	918
Effective interest expense charged for the year	216,347	–	216,347
Exchange differences	14,943	–	14,943
Transfer to capital reserves	–	(639,107)	(639,107)
At December 31, 2023	–	–	–

## 41. Share Capital

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB '000
<b>Authorised:</b>			
At January 1, 2022, December 31, 2022 and 2023	10,000,000,000	100,000	691
<b>Issued and fully paid:</b>			
At January 1, 2022, December 31, 2022 and 2023	3,795,404,000	37,954	251



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 42. Retirement Benefit Plans

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the PRC government. The PRC subsidiaries are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during the year are disclosed in Note 13. At December 31, 2023 and 2022, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at December 31, 2023 and 2022 under such scheme which may be used by the Group to reduce the contribution payable in future years.

## 43. Pledge of Assets

Certain of the Group's bank borrowings and bills payable had been secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group and certain assets with carrying amounts as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Pledged bank deposits (Note 31)	5,153	8,101
	5,153	8,101

## 44. Categories of Financial Instruments

	31/12/2023 RMB'000	31/12/2022 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	6,616,275	4,202,145
Equity instruments at FVTOCI	18,728	28,066
Debt instruments at FVTOCI	4,323	–
Financial assets at FVTPL	–	1,919,338
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	30,135,666	26,132,250



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and bills receivable, deposits and other receivables, pledged and restricted bank deposits, bank balances and cash, amounts due from/to related parties, deposits placed with a related party, equity instruments at FVTOCI, financial assets at FVTPL, trade and bills payables, other payables, bank and other borrowings, debt component of convertible notes and other liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Market risk

#### Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies.

The Group operates mainly in the PRC and majority of revenue and cost of goods sold and operations are denominated in RMB. Almost all of the revenue and costs are denominated in the group entities' respective functional currency.

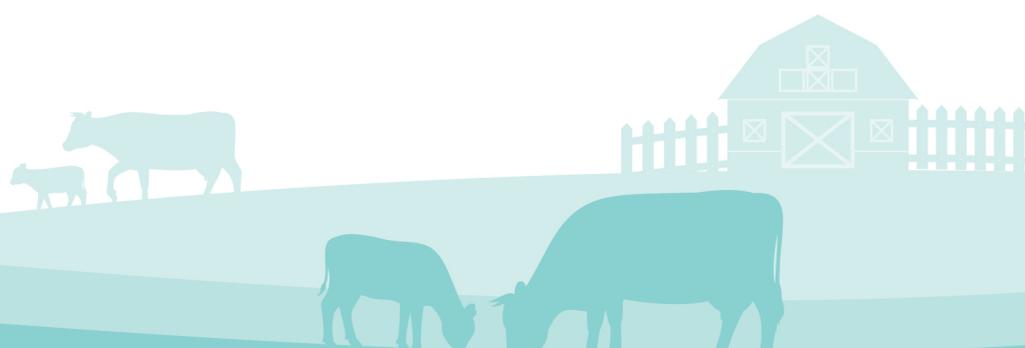
The Company has intra-group balances denominated in foreign currency with a subsidiary which also exposes the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary items including intra-group balances at the end of the reporting period are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Liabilities:		
Intra-group balances of the Company denominated in RMB	44,490	44,490

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

No sensitivity analysis is presented as the directors of the Company consider that the impact on profit or loss during the reporting period is insignificant, taking into account the carrying amount of monetary items that are denominated in a foreign currency.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies (*continued*)

### Market risk (*continued*)

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to negotiable certificate of deposits, fixed-rate pledged and restricted bank deposits, fixed-rate bank borrowings (Note 35), lease liabilities (Note 37), debt component of convertible notes (Note 40) and other liabilities (Note 38). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate pledged and restricted bank deposits, deposits placed with a related party (Note 47) and variable-rate bank borrowings (Note 35). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates quoted by PBOC arising from the Group's RMB denominated borrowings and SOFR arising from the Group's USD denominated borrowings.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used during the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances, variable-rate pledged and restricted bank deposits and deposits placed with a related party are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and deposits is insignificant during the year.

If interest rates on variable rate borrowings had been 50 basis points higher/lower and all other variables were held constant (without taking into account the effect of interest capitalisation), the potential effect on post-tax (loss)/profit of the Group is as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Post-tax loss would increase/decrease by/ post-tax profit would decrease/increase by	94,229	74,784



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies (*continued*)

### Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Except for negotiable certificate of deposits measured at FVTPL, the Group performs impairment assessment under ECL model on financial assets and contract assets individually and/or collectively using a provision matrix with appropriate groupings.

### Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality of customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables balances and contract assets individually and/or collectively using a provision matrix, of which these receivables are grouped based on shared credit risk characteristics by reference to aging for the customers. Details of the quantitative disclosures are set out below in this note.

### Amounts due from related parties

The receivables from related parties are trade in nature and mostly related to the sales of raw milk and feeds to a shareholder (Note 47). Payments are generally due in two weeks after delivery and there is no history of default. The directors of the Company believe that the failure of the shareholder to make required payments is unlikely after considering its past settlement records and financial position.

Other than concentration of credit risk on trade receivables from a related party of RMB1,091,975,000 as at December 31, 2023 (2022: RMB914,047,000), the Group's trade receivables consist of a large number of customers and does not have any other significant concentration of credit risk.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Credit risk and impairment assessment *(continued)*

#### Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative or qualitative information that is reasonable and supportive forward-looking information. Details of the quantitative disclosures are set out below in this note.

#### Bills receivable

The Group only accepts bank acceptance bills issued by reputable PRC banks. The management of the Group considers the credit risk arising from the bills is insignificant.

#### Bank balances, pledged and restricted bank deposits and deposits placed with a related party

The credit risk on bank balances, pledged and restricted bank deposits and deposits placed with a related party of the Group is limited because the counterparties are banks or other financial institutions with good reputation in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Descriptions	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	N/A	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies (*continued*)

### Credit risk and impairment assessment (*continued*)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes			Gross carrying amount as at December 31,	
				2023 RMB'000	2022 RMB'000
<b>Financial assets at amortised cost</b>					
Trade receivables (Note)	27	Low risk	Lifetime ECL (provision matrix)	742,430	1,235,880
		Loss	Credit-impaired (assessed individually)	105,039	185,472
				<b>847,469</b>	<b>1,421,352</b>
Deposits and other receivables	29	Low risk	12-month ECL	89,004	107,479
		Loss	Credit-impaired	8,310	5,659
				<b>97,314</b>	<b>113,138</b>
Amounts due from related parties-trade in nature	47	Low risk	Lifetime ECL (assessed individually)	1,099,751	917,518
Amounts due from related parties-non-trade in nature	47	Low risk	12-month ECL	81	32
Pledged and restricted bank deposits	31	Low risk	12-month ECL	147,027	412,764
Bank balances	31	Low risk	12-month ECL	3,935,982	936,358
Deposits placed with a related party	47	Low risk	12-month ECL	552,359	515,895
<b>Debt instruments at FVTOCI</b>					
Bills receivable		Low risk	12-month ECL	4,323	–
<b>Other item</b>					
Contract assets (Note)	28	Low risk	Lifetime ECL (provision matrix)	2,278	7,116

Note: For trade receivables, amounts due from related parties (trade in nature) and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, which are assessed individually, the Group determines the expected credit losses on trade receivables and contract assets by using a provision matrix, by reference to the aging of outstanding balances, as these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 45. Financial Risk Management Objectives and Policies *(continued)*

#### Credit risk and impairment assessment *(continued)*

The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively based on a provision matrix of aging information.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 90 days	691,569	1,073,280
90 days to 1 year	50,861	162,600
<b>Total</b>	<b>742,430</b>	<b>1,235,880</b>

The average loss rate as at December 31, 2023 is ranging from 1.81% to 8.75% (2022: 2.08% to 12.60%) which are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables measured at amortised cost under the simplified approach.

	Lifetime ECL (Not credit- impaired) RMB'000	Lifetime ECL (Credit- impaired) RMB'000	Total RMB'000
As at January 1, 2022	14,503	61,453	75,956
Changes for trade receivables recognised as at January 1, 2022:			
Impairment loss recognised	–	24,861	24,861
Impairment loss reversed	(10,838)	(32,887)	(43,725)
Write-offs	–	(153)	(153)
Transfer	(1,648)	1,648	–
New trade receivables originated	22,354	29,960	52,314
<b>As at December 31, 2022</b>	<b>24,371</b>	<b>84,882</b>	<b>109,253</b>
Changes for trade receivables recognised as at January 1, 2023:			
Impairment loss recognised	–	30,161	30,161
Impairment loss reversed	(23,092)	(20,924)	(44,016)
Write-offs	–	(57,826)	(57,826)
Transfer	(1,279)	1,279	–
New trade receivables originated	13,476	4,350	17,826
<b>As at December 31, 2023</b>	<b>13,476</b>	<b>41,922</b>	<b>55,398</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Credit risk and impairment assessment *(continued)*

During the year ended December 31, 2023, the Group reversed RMB9,616,000 (2022: provided RMB11,516,000) impairment allowance for trade receivables based on the provision matrix. Additional impairment allowance of RMB13,587,000 (2022: RMB21,934,000) were assessed individually and provided on credit-impaired debtors for the year ended December 31, 2023.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

During the year, the exposure to credit risk of contract assets assessed based on provision matrix is insignificant.

The following table shows the movement in ECL that has been recognised for deposits and other receivables measured at amortised cost.

	Lifetime ECL (credit-impaired) RMB'000
As at January 1, 2022	6,381
Changes for other receivables recognised as at January 1, 2022:	
Impairment loss recognised	814
Impairment loss reversed	(1,525)
Write-offs	(11)
As at December 31, 2022	5,659
Changes for other receivables recognised as at January 1, 2023:	
Impairment loss recognised	3,413
Impairment loss reversed	(755)
Write-offs	(7)
As at December 31, 2023	<b>8,310</b>

The Group writes off the deposits and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the other receivables are over two years past due, whichever occurs earlier.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies *(continued)*

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and convertible notes and ensures compliance with covenants.

The Group had net current liabilities of RMB9,508,171,000 as at December 31, 2023, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company regularly monitor the operating cash flows of the Group to meet its liquidity requirement in the short and long term. The Group's net current liabilities position as at December 31, 2023 was mainly attributable to bank and other borrowings.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance, including unutilised banking facilities, in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows during the year.

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from December 31, 2023. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, the available unutilised banking facilities obtained and renewal of certain bank borrowings. The directors of the Company, after taking into account the reasonably possible changes in the operational performance and the availability of borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due.

The following table sets out the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 45. Financial Risk Management Objectives and Policies (*continued*)

### Liquidity risk (*continued*)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Weighted average interest rate %	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<i>As at December 31, 2023</i>							
Trade and bills payables	-	2,113,192	-	-	-	2,113,192	2,113,192
Other payables and accruals	-	1,676,299	-	-	-	1,676,299	1,676,299
Amounts due to related parties	-	79,277	-	-	-	79,277	79,277
Bank and other borrowings:							
Fixed-rate	2.10-4.00	6,360,075	323,035	634,794	206,914	7,524,818	7,364,111
Variable-rate	1.95-6.80	10,701,789	3,747,878	3,783,681	1,671,903	19,905,251	18,895,477
Lease liabilities	2.93-5.25	227,525	151,658	425,702	2,245,171	3,050,056	1,822,701
Other liabilities	5.30	7,500	-	-	-	7,500	7,310
		21,165,657	4,222,571	4,844,177	4,123,988	34,356,393	31,958,367
<i>As at December 31, 2022</i>							
Trade and bills payables	-	2,688,578	-	-	-	2,688,578	2,688,578
Other payables and accruals	-	1,616,826	-	-	-	1,616,826	1,616,826
Amounts due to related parties	-	47,338	-	-	-	47,338	47,338
Bank and other borrowings:							
Fixed-rate	2.35-4.10	3,984,295	501,852	1,005,444	313,077	5,804,668	5,558,570
Variable-rate	1.71-5.77	10,307,262	1,037,484	3,169,785	1,284,366	15,798,897	15,000,486
Lease liabilities	3.83-5.25	137,906	150,016	343,356	2,048,342	2,679,620	1,556,991
Convertible notes	10	1,482,905	-	-	-	1,482,905	1,206,200
Other liabilities	5.30	7,500	7,500	-	-	15,000	14,252
		20,272,610	1,696,852	4,518,585	3,645,785	30,133,832	27,689,241

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports its findings to the board of directors of the Company to explain the cause of fluctuations in the fair value.

The Group's biological assets and certain of the Group's financial assets are measured at fair value on a recurring basis at the end of the reporting period. The following table gives information about how the fair values of these biological assets and financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at December 31, 2023</b>				
Assets				
Biological assets:				
Calves and heifers (Note (a))	–	–	6,051,392	6,051,392
Milkable cows (Note (b))	–	–	8,385,409	8,385,409
Feeder cattle (Note (c))	–	–	212	212
Breeding bulls and others (Note (d))	–	–	56,507	56,507
Dairy goats (before production of milk) (Note (e))	–	–	111,211	111,211
Breeding goats (Note (f))	–	–	1,379	1,379
Debt instruments at FVTOCI (Note (g))	–	4,323	–	4,323
Equity instruments at FVTOCI (Note (h))	–	–	18,728	18,728
	–	4,323	14,624,838	14,629,161

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at December 31, 2022</b>				
Assets				
Biological assets:				
Calves and heifers (Note (a))	–	–	5,931,614	5,931,614
Milkable cows (Note (b))	–	–	7,204,357	7,204,357
Feeder cattle (Note (c))	–	–	8,490	8,490
Breeding bulls and others (Note (d))	–	–	85,447	85,447
Equity instruments at FVTOCI (Note (h))	–	–	28,066	28,066
Financial assets at FVTPL (Note (i))	–	1,919,338	–	1,919,338
	–	1,919,338	13,257,974	15,177,312

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

There were no transfers between Level 1 and 2 and there were no transfers into or out of Level 3 during the year.

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(a)	Biological assets – Calves and heifers	<p>The fair value of 14 months old heifers is determined by reference to the local market selling price.</p> <p>The fair values of calves and heifers at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period to 14 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated local market selling prices of the heifers of 14 months old are RMB23,300 to RMB24,700 per head as at December 31, 2023 (2022: RMB24,100 to RMB25,620).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for calves and heifers younger than 14 months old (i.e. from born to 14 months) are ranging from RMB20,835 to RMB22,441 as at December 31, 2023 (2022: RMB19,528 to RMB23,087).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are ranging from RMB15,337 to RMB17,512 as at December 31, 2023 (2022: RMB13,611 to RMB16,862).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of calves and heifers, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of calves and heifers older/younger than 14 months old, and vice versa.</p>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(b)	Biological assets – Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	<p>Estimated feed costs per kg of raw milk used in the valuation are ranging from RMB2.36 to RMB3.21 as at December 31, 2023 (2022: RMB2.59 to RMB3.32), taking into account management's experience and knowledge of market conditions.</p> <p>A milkable cow could have as many as six lactation cycles. Estimated daily milk yield at each lactation cycle is ranging from 17.03 kg to 35.28 kg as at December 31, 2023 (2022: 17.80 kg to 33.55 kg), depending on the number of the lactation cycles and the individual physical condition.</p> <p>Estimated local future market prices for raw milk are ranging from RMB4,020 to RMB6,280 per tonne as at December 31, 2023 (2022: RMB4,310 to RMB5,980 per tonne), taking into account management's experience and knowledge of market conditions.</p> <p>Discount rate for estimated future cash flows used is 13% as at December 31, 2023 (2022: 13%), taking into account weighted average cost of capital determined using a capital asset pricing model.</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>An increase in the estimated daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated average selling price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in the fair value measurement of milkable cows, and vice versa.</p>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(c)	Biological assets – Feeder cattle	<p>Feeder cattle mainly include calves for sale.</p> <p>The fair value of 15 days calf is determined by reference to the local market selling price.</p> <p>The fair value of calves is determined by reference to the local market selling price of 15 days calves and the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period.</p>	<p>Estimated local market selling prices of the 15 days calf are RMB3,068 per head as at December 31, 2023 (2022: RMB1,998 per head).</p> <p>Estimated feeding costs per head daily for calves are RMB26.77 as at December 31, 2023 (2022: RMB22.17).</p>	<p>An increase in the estimated local market selling prices of calf used would result in an increase in the fair value measurement of calves, and vice versa.</p> <p>An increase in the estimated feeding costs would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of calves older/younger than 15 days old, and vice versa.</p>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(d)	Biological assets – Breeding bulls and others	The fair values of breeding bulls are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such breeding bulls.	<p>The estimated feed costs per day per bull used in the valuation are RMB51 as at December 31, 2023 (2022: RMB53 per day) based on the historical average feed costs per day of breeding bulls taking into account management's experience and knowledge of market conditions.</p> <p>Estimated local future market prices for sex-sorting frozen bovine semen are RMB117 per straw as at December 31, 2023 (2022: RMB112 per straw).</p> <p>Estimated local future market prices for conventional frozen bovine semen are RMB19 per straw as at December 31, 2023 (2022: RMB15 per straw).</p> <p>Discount rate for estimated future cash flow used is 13% as at December 31, 2023 (2022: 13%) taking into account weighted average cost of capital determined using a capital asset pricing model.</p>	<p>An increase in the estimated feed costs per day of breeding bulls used would result in a decrease in the fair value measurement of the breeding bulls, and vice versa.</p> <p>An increase in the estimated selling price of frozen bovine semen used would result in an increase in the fair value measurement of breeding bulls, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in the fair value measurement of breeding bulls, and vice versa.</p>

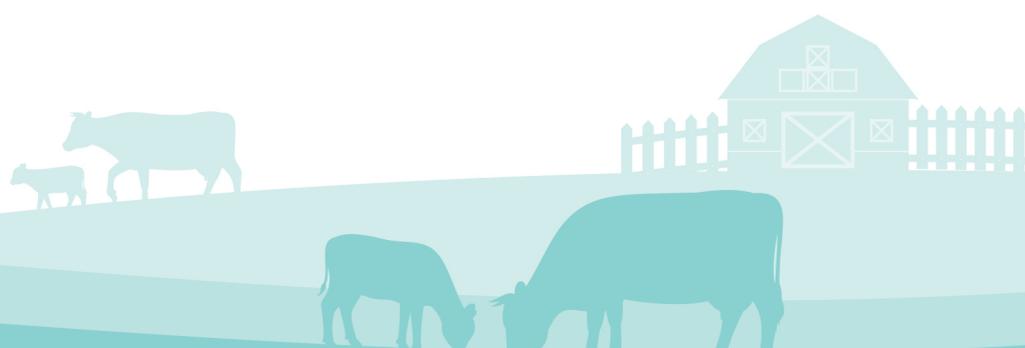


# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(e)	Biological assets – Dairy goats (before production of milk)	<p>The fair value of 8 months old dairy goats is determined by reference to the market selling price.</p> <p>The fair values of dairy goats at age group less than 8 months are determined by subtracting the estimated feeding costs required to raise the dairy goats from their respective age at the end of the reporting period to 8 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of dairy goats at age group older than 8 months are determined by adding the estimated feeding costs required to raise the dairy goats from 8 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated market selling prices of the dairy goats of 8 months old are RMB10,802 per head as at December 31, 2023 (2022: N/A).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats younger than 8 months old (i.e. from born to 8 months) are RMB5,701 as at December 31, 2023 (2022: N/A).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats older than 8 months old are RMB3,754 as at December 31, 2023 (2022: N/A).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of dairy goats, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of dairy goats older/younger than 8 months old, and vice versa.</p>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(f)	Biological assets – Breeding goats	<p>The fair value of 13 months old breeding goats is determined by reference to the market selling price.</p> <p>The fair values of breeding goats older than 13 months are determined by adding the estimated feeding costs required to raise the dairy goats from 13 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated market selling prices of the breeding goats of 13 months old are RMB12,546 per head at December 31, 2023 (2022: N/A).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats of 13 months are RMB3,124 as at December 31, 2023 (2022: N/A).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of breeding goats, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a increase in the fair value measurement of breeding goats older 13 months, and vice versa.</p>
(g)	Debt instruments at FVTOCI: Bills receivable	Discounted cash flow method was used to capture the present value of the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.	N/A	N/A



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements (*continued*)

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(h)	Equity instruments at FVTOCI	Market approach	Fair value is estimated based on value of comparable listed companies and discount for lack of liquidity.	<p>An increase in the discount for lack of liquidity would result in a decrease in the fair value measurement of the unquoted equity investments, and vice versa.</p> <p>If the discount for lack of liquidity increase by 1%, the estimated fair value of equity instruments at FVTOCI will decrease by RMB119,000 as at December 31, 2023 (December 31, 2022: RMB253,000), vice versa.</p>
(i)	Financial assets at FVTPL: Negotiable certificate of deposits	Discount cash flow method was used to capture the present value of the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.	N/A	N/A



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 46. Fair Value Measurements *(continued)*

### Reconciliation of Level 3 fair value measurements

The reconciliations for biological assets are set out in Note 22. The reconciliations for financial assets under Level 3 fair value measurements are as follows:

	Equity instruments at FVTOCI RMB'000
At January 1, 2022	24,812
Purchases	10,127
Fair value changes during the year	(6,873)
At December 31, 2022	28,066
Fair value changes during the year	(9,338)
At December 31, 2023	18,728

The fair value changes for equity instruments at FVTOCI during the year ended December 31, 2023 is reported as changes under "investment revaluation reserve".

### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the consolidated financial statements approximate their fair value.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. Related Party Transactions

The Group had the following material transactions and balances with Inner Mongolia Yili Industrial Group Co., Ltd. (“Yili”, together with its subsidiaries, collectively “Yili Group”), a major shareholder of the Group and Jiangsu Nongken, an associate of the Group.

### Transactions with Yili Group for the year

	Notes	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sales of raw milk to Yili Group	(a)	12,447,239	10,485,086
Sales of feeds to Yili Group	(a)	171,542	119,506
Sales of ruminant farming products to Yili Group	(a)	449	422
Sales of breeding products to Yili Group	(a)	14,063	12,754
Purchase of raw materials from Yili Group	(a)	38,955	52,506
Purchase of shared financial services from Yili Group	(b)	11,149	11,188
Purchase of other service and materials from Yili Group		9,688	3,385
Other service to Yili Group	(a)	4,294	6,445
Interest income from Yili Group	(f)	6,026	6,670

### Transactions with Jiangsu Nongken

	Note	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sales of feeds to Jiangsu Nongken	(a)	34,725	9,352
Sales of breeding products to Jiangsu Nongken	(a)	880	243
Sales of ruminant farming products to Jiangsu Nongken	(a)	276	–
Other service to Jiangsu Nongken	(a)	192	119



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. Related Party Transactions (continued)

### Balances with Yili Group

	Notes	31/12/2023 RMB'000	31/12/2022 RMB'000
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,091,975	914,047
Prepayments to Yili Group		13	18
		<b>1,091,988</b>	<b>914,065</b>
Amounts due to related parties:			
Trade payables to Yili Group	(d)	8,969	15,107
Trade and other payables under supplier finance arrangements to Yili Group	(e)	70,308	32,231
Deposits placed with Yili Finance Company Limited	(f)	552,359	515,895

### Balances with Jiangsu Nongken

	Note	31/12/2023 RMB'000	31/12/2022 RMB'000
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	7,776	3,471
Other receivables from Jiangsu Nongken		81	32
		<b>7,857</b>	<b>3,503</b>

Notes:

- (a) The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved, and the prices are mainly determined based on prices offered to independent third parties.
- (b) The Group entered into the shared financial services agreement with Yili Group in 2022. Pursuant to the agreement, Yili Group provided accounting related shared financial services to the Group. The service fee is determined using cost-plus basis, being the total costs incurred by Yili Group in respect of the provision of the shared financial services plus a fixed percentage of 5%, to cover costs and expenses, such as personnel and maintenance.
- (c) The trade receivables are mainly related to the sale of raw milk to Yili Group and sales of feeds to Jiangsu Nongken. As at December 31, 2023, trade receivables from related parties are aged within 90 days based on the date of delivery.
- (d) The trade payables are related to the purchase of raw materials from Yili Group, which aged within one year at the end of the reporting period.
- (e) Certain suppliers can choose to be paid a discounted amount by certain financial institutions of Yili Group earlier than the due date. As initiated by the suppliers, the Group, Yili Group and the suppliers entered into supplier finance arrangements. Pursuant to the agreements, the Group's obligations to suppliers are legally extinguished and will pay to Yili Group to settle the debts directly.
- (f) The Group entered into the financial services agreement with Yili Finance Company Limited, a subsidiary of Yili Group which has financial institution license. Pursuant to the agreement, Yili Finance Company Limited provided deposit service to the Group. The interest rates are determined according to and shall not be lower than the benchmark deposit rates prescribed by the PBOC and the deposit rates offered by the major commercial banks in the PRC.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 47. Related Party Transactions (continued)

### Settlement arrangements with Yili Group

	Note	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(g)	925,342	520,083

Notes:

- (g) Certain customers (the "Overlapping Parties") who purchase feeds and breeding products from the Group are also raw milk suppliers of Yili Group. The Group, Yili Group and the Overlapping Parties have entered into an entrusted payment arrangement (the "Entrusted Payment Arrangement"), pursuant to which Yili Group would deduct the amount payable to the Group by the Overlapping Parties (the "Feeds and Breeding Products Payments") from the payments made to the Overlapping Parties by Yili Group, and pay the Feeds and Breeding Products Payments to the Group directly. The directors of the Company consider that the Entrusted Payment Arrangement is an industry norm in dairy farming products industry in the PRC to simplify the payment procedures.

### Compensation to key management personnel

The remuneration of key management personnel, including members of the board of directors and other members of senior management of the Group was as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Salaries and allowances	14,485	10,936
Retirement benefit scheme contributions	403	371
	14,888	11,307



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 48. Notes to Consolidated Statement of Cash Flows

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accrued issue costs RMB'000	Lease liabilities RMB'000 (Note 37)	Bank and other borrowings RMB'000 (Note 35)	Other liabilities RMB'000 (Note 38)	Convertible notes RMB'000 (Note 40)	Total RMB'000
At January 1, 2022	6,949	1,317,399	9,456,114	20,845	2,407,292	13,208,599
Financing cash flows	-	(204,970)	10,554,038	(7,500)	(2,003,422)	8,338,146
New leases entered	-	383,399	-	-	-	383,399
Finance costs	-	68,542	435,914	907	628,269	1,133,632
Gain on partial redemption	-	-	-	-	(901)	(901)
Early termination of lease agreements	-	(7,379)	-	-	-	(7,379)
Effect of foreign exchange rate changes	(164)	-	112,990	-	174,962	287,788
Others	(6,785)	-	-	-	-	(6,785)
At December 31, 2022	-	1,556,991	20,559,056	14,252	1,206,200	23,336,499
Financing cash flows	-	(183,088)	4,783,310	(7,500)	(1,438,408)	3,154,314
New leases entered	-	400,989	-	-	-	400,989
Finance costs	-	75,282	850,078	558	216,347	1,142,265
Loss on partial redemption	-	-	-	-	918	918
Early termination of lease agreements	-	(27,473)	-	-	-	(27,473)
Effect of foreign exchange rate changes	-	-	67,144	-	14,943	82,087
At December 31, 2023	-	1,822,701	26,259,588	7,310	-	28,089,599

### Major non-cash transactions

Lease liabilities for leasehold lands, properties, machinery and equipment with a total amount of RMB400,989,000 (2022: RMB383,399,000) were recognised and the corresponding amount of RMB400,989,000 (2022: RMB383,399,000) were recognised as right-of-use assets during the year ended December 31, 2023.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 49. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a whole maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings and convertible notes as disclosed in Notes 35 and 40, respectively, net of bank balances and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure on a continuous basis. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

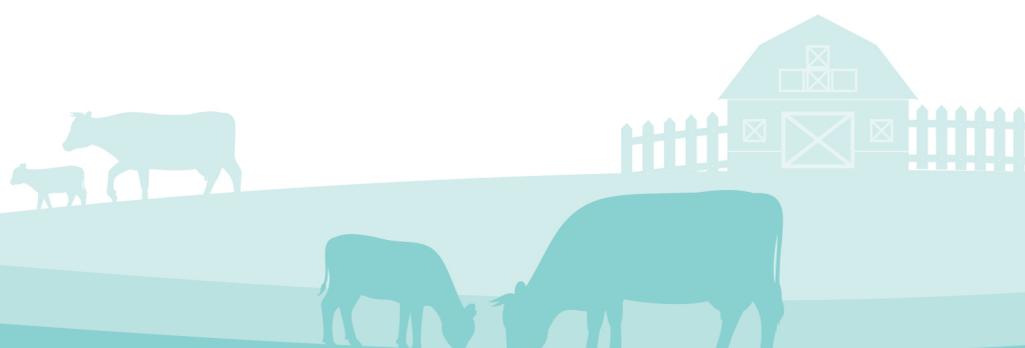
## 50. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment, and purchase of biological assets: Contracted but not provided for	1,617,469	2,997,521

## 51. Contingent Liabilities

Apart from ongoing litigation for which provision has been made (Note 39), at the end of this reporting period, the Group had no significant contingent liability.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company

### General information of subsidiaries

At the end of the reporting period, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
Yogurt Holding II Limited	British Virgin Island ("BVI")	BVI	USD100	100	100	Investment holding
Yogurt Holding I (HK) Limited	Hong Kong	Hong Kong	USD13	100	100	Investment holding
內蒙古優然牧業有限責任公司 (Inner Mongolia Youran Dairy Co., Ltd.)* ("Inner Mongolia Youran")	PRC	PRC	RMB9,700,000,000	100	100	Investment holding, raising and breeding dairy cows, and raw milk production
內蒙古牧泉元興飼料有限責任公司 (Inner Mongolia Muquan Yuanxing Feed Co., Ltd.)* ("Muquan Yuanxing Feed")	PRC	PRC	RMB136,000,000	100	100	Production and sales of feeds
內蒙古盛德和泰商貿有限責任公司 (Inner Mongolia Shengde Hetai Business Co., Ltd.)*	PRC	PRC	RMB5,000,000	100	100	Trading of feeds
內蒙古伊禾綠錦農業發展有限公司 (Inner Mongolia Yihe Lvjin Agriculture Development Co., Ltd.)*	PRC	PRC	RMB100,000,000	100	100	Planting of feeds
American Western Prataculture Corp. (美國西部草業有限公司)	Delaware, United States of America	United States of America	-	100	100	Inactive



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
成都優然牧業有限責任公司 (Chengdu Youran Dairy Co., Ltd.*)	PRC	PRC	RMB136,000,000	100	100	Raising and breeding dairy cows and raw milk production
合肥優然牧業有限責任公司 (Hefei Youran Dairy Co., Ltd.*)	PRC	PRC	RMB138,000,000	100	100	Raising and breeding dairy cows, and raw milk production
黃岡優然牧業有限責任公司 (Huanggang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB226,000,000	100	100	Raising and breeding dairy cows, and raw milk production
錫林浩特市優然牧業有限責任公司 (Xilin Hot Youran Dairy Co., Ltd.*)	PRC	PRC	RMB222,000,000	100	100	Raising and breeding dairy cows and raw milk production
吳忠優然牧業有限責任公司 (Wuzhong Youran Dairy Co., Ltd.*)	PRC	PRC	RMB74,000,000	100	100	Raising and breeding dairy cows, and raw milk production
肇東市長青畜牧有限公司 (Zhaodong Chang Qing Livestock Co., Ltd.*)	PRC	PRC	RMB191,500,000	100	100	Raising and breeding dairy cows, and raw milk production
南京優然牧業有限責任公司 (Nanjing Youran Dairy Co., Ltd.*)	PRC	PRC	RMB67,000,000	100	100	Raising and breeding dairy cows, and raw milk production
林甸優然牧業有限責任公司 (Lindian Youran Dairy Co., Ltd.*)	PRC	PRC	RMB472,000,000	100	100	Raising and breeding dairy cows, and raw milk production
銅川優然牧業有限責任公司 (Tongchuan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB131,000,000	100	100	Raising and breeding dairy cows, and raw milk production
張北中都畜牧有限責任公司 (Zhangbei Zhong Du Livestock Co., Ltd.*)	PRC	PRC	RMB33,000,000	100	100	Raising and breeding dairy cows, and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
達拉特旗優然牧業有限責任公司 (Dalad Banner Youran Dairy Co., Ltd.*)	PRC	PRC	RMB286,000,000	100	100	Raising and breeding dairy cows, and raw milk production
杜爾伯特蒙古族自治縣中都畜牧有限責任公司 (Duerbote Mongolia Autonomous County Zhongdu Livestock Co., Ltd.*)	PRC	PRC	RMB124,000,000	100	100	Raising and breeding dairy cows, and raw milk production
濟南優然牧業有限責任公司 (Jinan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
阜新優然牧業有限責任公司 (Fuxin Youran Dairy Co., Ltd.*)	PRC	PRC	RMB114,000,000	100	100	Raising and breeding dairy cows, and raw milk production
平頂山優然牧業有限責任公司 (Pingdingshan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
呼倫貝爾優然牧業示範牧場有限責任公司 (Hulunbeier YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production
武威市優然牧業有限責任公司 (Wuwei Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
杜爾伯特牧泉元興飼料有限責任公司 (Duerbote Muquan Yuanxing Feed Co., Ltd.*) ("Duerbote Muquan Yuanxing Feed")	PRC	PRC	RMB5,400,000	100	100	Production and sales of feeds
保定伊和生物科技有限責任公司 (Baoding Yihe Bio-Technology Co., Ltd.*)	PRC	PRC	RMB10,000,000	100	100	Production and sales of feeds



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
寧夏伊康元生物科技有限公司 (Ningxia Yikangyuan Bio-Technology Co., Ltd.)* ("Ningxia Bio-Technology")	PRC	PRC	RMB80,000,000	100	100	Production and sales of feeds
山東牧泉元興生物科技有限责任公司 (Shandong Bio-Technology Co., Ltd.)*	PRC	PRC	RMB50,000,000	100	100	Production and sales of feeds
大慶牧泉元興生物科技有限责任公司 (Daqing Bio-Technology Co., Ltd.)*	PRC	PRC	RMB40,000,000	100	100	Production and sales of feeds
烏蘭察布市牧泉元興飼料有限責任公司 (Wulanchabu Muquan Yuanxing Feed Co. Ltd.)* ("Wulanchabu Muquan Yuanxing Feed")	PRC	PRC	RMB60,000,000	100	100	Production and sales of feeds
巴彥淖爾市牧泉元興飼料有限責任公司 (Bayannur Muquan Yuanxing Feed Co., Ltd.)* ("Bayannur Muquan Yuanxing Feed")	PRC	PRC	RMB35,000,000	100	100	Production and sales of feeds
興安盟優然牧業有限責任公司 (Hinggan League Youran Dairy Co. Ltd.)*	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
通遼優然牧業有限責任公司 (Tongliao Youran Dairy Co. Ltd.)*	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
呼和浩特優然牧業有限責任公司 (Hohhot Youran Dairy Co. Ltd.)*	PRC	PRC	RMB700,000,000	100	100	Raising and breeding dairy cows and raw milk production
駐馬店優然牧業有限責任公司 (Zhumadian Youran Dairy Co. Ltd.)*	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
呼和浩特金河優然牧業有限責任公司 (Hohhot Jinhe Youran Dairy Co. Ltd. *)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
濰坊優然牧業有限責任公司 (Weifang Youran Dairy Co. Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
壽光優然牧業有限責任公司 (Shouguang Youran Dairy Co. Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
開魯優然牧業有限責任公司 (Kailu Youran Dairy Co. Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
邢台優然牧業有限責任公司 (Xingtai Youran Dairy Co. Ltd. *)	PRC	PRC	RMB3,900,000/ RMB68,000,000	100	100	Raising and breeding dairy cows, and raw milk production
河北牧泉元興生物科技有限責任公司 (Hebei Muquan Yuanxing Biotechnology Co. Ltd. *)	PRC	PRC	RMB50,000,000	100	100	Raising and breeding dairy cows, and raw milk production
延安洛川優然牧業有限責任公司 (Yan'an Luochuan Youran Dairy Co. Ltd. *)	PRC	PRC	RMB78,000,000/ RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
合肥元興牧業有限責任公司 (Hefei Yuanxing Dairy Co. Ltd. *)	PRC	PRC	RMB42,000,000	100	100	Raising and breeding dairy cows, and raw milk production
內蒙古聚牧城科技有限責任公司 (Inner Mongolia Jumucheng Technology Co. Ltd. *)	PRC	PRC	RMB10,000,000	100	100	Sales of fodder



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
內蒙古優創實業有限責任公司 (Inner Mongolia Youchuang Industrial Co., Ltd.*)	PRC	PRC	RMB30,000,000	100	100	Construction materials sales; wire, and real estate development and operation
聊城優然牧業有限責任公司 (Liaocheng Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
昌吉優然牧業有限責任公司 (Changji Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
昌邑優然牧業有限責任公司 (Changyi Youran Dairy Co., Ltd.*)	PRC	PRC	RMB180,000,000	100	100	Raising and breeding dairy cows and raw milk production
雲南優然牧業有限責任公司 (Yunnan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
洛陽優然牧業有限責任公司 (Luoyang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
清水河優然牧業有限責任公司 (Qingshuihe Youran Dairy Co., Ltd.*)	PRC	PRC	RMB120,000,000	100	100	Raising and breeding dairy cows and raw milk production
唐山優然牧業有限責任公司 (Tangshan Youran Dairy Co., Ltd. *, formerly known as Fonterra (Yutian) Dairy Farm Co., Ltd.*)	PRC	PRC	RMB1,772,390,272	100	100	Raising and breeding dairy cows and raw milk production
山西優然天合牧業有限責任公司 (Shanxi Youran Tianhe Dairy Co., Ltd. *, formerly known as Fonterra (Ying) Dairy Farm Co., Ltd.*)	PRC	PRC	RMB2,220,345,046/ RMB2,258,816,796	100	100	Raising and breeding dairy cows and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
寒亭優然牧業有限責任公司 (Hanting YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB150,000,000	100	100	Raising and breeding dairy cows and raw milk production
山西優然牧業有限責任公司 (Shanxi YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優然興草生態農業有限公司 (Inner Mongolia Youran Xingcao Ecological Agriculture Co., Ltd.*)	PRC	PRC	-/RMB10,000,000	100	100	Planting of feeds
平涼優然牧業有限責任公司 (Pingliang YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
昆明優然牧業有限責任公司 (Kunming YouRan Dairy Co., Ltd.*)	PRC	PRC	-/RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
忻州優然牧業有限責任公司 (Xinzhou YouRan Dairy Co., Ltd.*)	PRC	PRC	-/RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
獻縣優然牧業有限責任公司 (Xianxian YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB25,000,000/ RMB300,000,000	100	100	Raising and breeding dairy cows and raw milk production
托克托縣優然牧業有限責任公司 (Tuoketuoxian YouRan Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優牧奶業投資管理有限公司 (Inner Mongolia Youmu Dairy Industry Investment Management Co. Ltd.*) ("Youmu Investment Management")	PRC	PRC	RMB225,771,900/ RMB1,000,000,000	100/51 (Note)	100/51 (Note)	Investing



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
內蒙古優牧畜牧服務有限責任公司 (Inner Mongolia Youmu Livestock Service Co., Ltd.*)	PRC	PRC	-/RMB2,000,000	100	-	Sales of fodder
內蒙古敕勒川旅遊文化有限公司 (Inner Mongolia Chilechuan Tourism and Culture Co., Ltd.*)	PRC	PRC	RMB500,000	100	-	Tourism and cultural services
安達市優然牧業有限責任公司 (Anda Youran Animal Husbandry Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	-	Raising and breeding dairy
SKX	PRC	PRC	RMB918,600,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production, and production and sale of breeding products
內蒙古犇騰牧業有限公司 (Inner Mongolia Best Holsteins Co., Ltd*)	PRC	PRC	RMB560,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星牧業有限公司 (Inner Mongolia SK Xing Dairy Limited*)	PRC	PRC	RMB88,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
寧夏賽科星養殖有限責任公司 (Ningxia SK Xing Breeding Co. Ltd.*) ("Ningxia SKX")	PRC	PRC	RMB74,200,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
鄂爾多斯市賽科星養殖有限責任公司 (Ordos SK Xing Breeding Co. Ltd.*) ("Ordos SKX")	PRC	PRC	RMB50,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
滄州賽科星牧業有限公司 (Cangzhou SK Xing Dairy Limited*) ("Cangzhou SKX")	PRC	PRC	RMB40,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
定州市賽科星伊人牧業有限公司 (Dingzhou SK Xing Yiren Dairy Limited*) ("Dingzhou SKX")	PRC	PRC	RMB41,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
鄂托克旗賽優牧業有限公司 (Etuokeqi Saiyou Dairy Limited*) ("Etuokeqi Saiyou")	PRC	PRC	RMB45,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
北京海華雲都生態農業有限公司 (Beijing Haihuayundu Ecological Agriculture Co. Ltd.*) ("Beijing Haihuayundu")	PRC	PRC	RMB477,188,074	58.36	58.36	Raising and breeding dairy cows, and raw milk production
呼倫貝爾市賽優牧業有限公司 (Hulun Buir Saiyou Dairy Co. Ltd.*) ("Hulun Buir Saiyou")	PRC	PRC	RMB210,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
河北犇放牧業有限公司 (Hebei Benfang Dairy Limited*)	PRC	PRC	RMB240,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
達拉特旗賽優牧業有限公司 (Dalateqi Saiyou Dairy Limited*) ("Dalateqi Saiyou")	PRC	PRC	RMB100,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
武強賽優牧業有限公司 (Wuqiang Saiyou Dairy Limited*)	PRC	PRC	RMB51,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
華夏畜牧興化有限公司 (Huaxia Livestock Xinghua Limited*) ("Huaxia Xinghua")	PRC	PRC	RMB462,457,540	58.36	58.36	Raising and breeding dairy cows, and raw milk production
濟源市賽科星牧業有限公司 (Jiyuan SK Xing Dairy Limited*) ("Jiyuan SKX")	PRC	PRC	RMB66,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
尋甸賽優牧業有限公司 (Xundian Saiyou Dairy Limited*) ("Xundian Saiyou")	PRC	PRC	RMB80,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星家畜種業與繁育生物技術 研究院有限公司 (Inner Mongolia SK Xing Livestock Seed Industry and Breeding Biotechnology Research Institute Co. Ltd.*)	PRC	PRC	RMB100,000,000	58.36	58.36	Raising and breeding of livestock, and cloning technology development
承德賽優牧業有限公司 (Chengde Saiyou Dairy Co., Ltd.*)	PRC	PRC	RMB40,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
呼倫貝爾賽科星牧業有限責任公司 (Hulun Buir SK Xing Dairy Co. Ltd.*)	PRC	PRC	RMB126,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 52. Particulars of Subsidiaries of the Company (continued)

### General information of subsidiaries (continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2023 %	2022 %	
清水河賽科星牧業有限責任公司 (Qingshuihe SK Xing Dairy Co. Ltd.*)	PRC	PRC	RMB40,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
巴彥淖爾賽科星牧業有限責任公司 (Bayan Nur SK Xing Dairy Co. Ltd.*)	PRC	PRC	RMB226,802,392	58.36	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星肉牛良種繁育有限公司 (Inner Mongolia Saikexing Beef Cattle Breeding Co., Ltd.*)	PRC	PRC	-/RMB7,000,000	58.36	58.36	Raising and breeding livestock, and cloning technology development

\* The English name of the Chinese company marked with "\*" are translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

All subsidiaries incorporated in the PRC are companies with limited liability under PRC law.

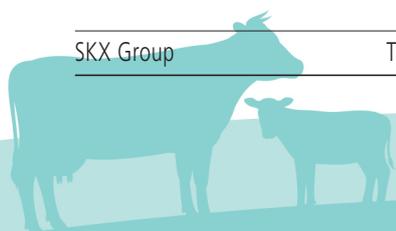
Note: On June 17, 2022, Inner Mongolia Youran entered into an investment agreement with an investor (the "Investor") to jointly establish Youmu Investment Management. Inner Mongolia Youran and the Investor holds 51% and 49% of voting rights, respectively according to the investment agreement. The Investor is entitled to fixed annual return on its funding to Youmu Investment Management during the investment period, therefore such funding is accounted for as other borrowings (see Note 35), and Youmu Investment Management is accounted for as a wholly-owned subsidiary of the Company.

None of the subsidiaries has issued any debt securities as at December 31, 2023 (2022: none).

### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of establishment and operations	Proportion of interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests for the year ended		Accumulated non-controlling interests at	
		31/12/2023	31/12/2022	31/12/2023 RMB'000	31/12/2022 RMB'000	31/12/2023 RMB'000	31/12/2022 RMB'000
SKX Group	The PRC	41.64%	41.64%	(402,912)	(8,785)	1,267,977	1,687,383



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

### 52. Particulars of Subsidiaries of the Company (continued)

#### Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	1,839,289	1,893,160
Non-current assets	7,125,042	7,650,807
Current liabilities	(3,983,848)	(4,779,996)
Non-current liabilities	(1,938,480)	(803,151)
Net assets	3,042,003	3,960,820
Equity attributable to owners of the Company	1,774,026	2,273,437
Non-controlling interests of SKX Group	1,267,443	1,686,820
Non-controlling interests of SKX's subsidiary	534	563
	3,042,003	3,960,820

	For the year ended December 31, 2023 RMB'000	For the year ended December 31, 2022 RMB'000
Revenue	3,624,896	3,569,949
Expenses	(4,504,102)	(3,591,038)
Loss for the year	(879,206)	(21,089)
Other comprehensive income/(expense)	6,319	(6,800)
Total comprehensive expense for the year	(872,887)	(27,889)
Loss for the year attributable to:		
Owners of the Company	(476,294)	(12,304)
Non-controlling interests of SKX Group	(402,912)	(8,785)
	(879,206)	(21,089)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(472,606)	(16,272)
Non-controlling interests of SKX Group	(400,281)	(11,617)
	(872,887)	(27,889)
Net cash inflows/(outflows) from:		
Operating activities	1,020,972	803,523
Investing activities	(1,023,662)	(1,399,163)
Financing activities	103,278	589,457
	100,588	(6,183)

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 53. Statement of Financial Position and Reserves of the Company

	31/12/2023 RMB'000	31/12/2022 RMB'000
<b>Non-current assets</b>		
Interests in a subsidiary	10,921,726	10,739,613
Interests in an associate	937,340	1,037,106
	<b>11,859,066</b>	<b>11,776,719</b>
<b>Current assets</b>		
Amounts due from a subsidiary	4,390	2,076
Prepayments, deposits and other receivables	–	21,892
Bank balances and cash	2,582	29,674
	<b>6,972</b>	<b>53,642</b>
<b>Current liabilities</b>		
Amounts due to a subsidiary	44,490	44,490
Other payables and accruals	1,617	5,560
Bank borrowings	5,258,807	3,393,832
Convertible notes	–	1,206,200
	<b>5,304,914</b>	<b>4,650,082</b>
Net current liabilities	<b>(5,297,942)</b>	<b>(4,596,440)</b>
<b>Net assets</b>	<b>6,561,124</b>	<b>7,180,279</b>
<b>Capital and reserves</b>		
Share capital	251	251
Reserves	6,560,873	7,180,028
Total equity	<b>6,561,124</b>	<b>7,180,279</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

## 53. Statement of Financial Position and Reserves of the Company (continued)

### Reserves of the Company

	Share premium RMB'000	Convertible notes equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At January 1, 2022	7,342,303	963,384	(181,327)	(615,130)	-	7,509,230
Profit/(loss) and total comprehensive income/(expense) for the year	-	-	659,745	(709,429)	-	(49,684)
Partial redemption of convertible notes (Note 40)	-	(286,303)	-	-	-	(286,303)
Others	6,785	-	-	-	-	6,785
At December 31, 2022	7,349,088	677,081	478,418	(1,324,559)	-	7,180,028
Profit/(loss) and total comprehensive income/(expense) for the year	-	-	116,911	(614,593)	-	(497,682)
Partial redemption/maturity of convertible notes (Note 40)	-	(677,081)	-	-	639,107	(37,974)
Dividends paid to owners of the Company	(83,499)	-	-	-	-	(83,499)
At December 31, 2023	7,265,589	-	595,329	(1,939,152)	639,107	6,560,873

## 54. Events After the Reporting Period

Save as disclosed elsewhere in this report, events and transactions took place subsequent to December 31, 2023 are detailed as below:

On February 19, 2024, the Company and its subsidiary, Inner Mongolia Youran entered into the agreements with China Genetics Holdings, Ltd. ("China Genetics") and its subsidiary, Huaxia Genetics Dairy Xinghua Co. Ltd. ("Huaxia Genetics"). Pursuant to the agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 subscription shares at the subscription price of RMB1.45 per share to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase an aggregate of 78,100,000 issued shares of SKX from Huaxia Genetics, representing approximately 8.50% of the total issued shares of SKX.

The Company will indirectly hold 66.86% of the total issued shares of SKX upon completion of the above share transfer. The above transaction has been published in the Company's announcement dated February 19, 2024.



## Five-Year Financial Summary

	Year ended December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	18,693,896	18,050,761	15,346,167	11,781,195	7,667,818
Cost of sales	(17,499,357)	(16,958,848)	(14,333,273)	(11,048,726)	(7,014,226)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	3,275,246	3,131,809	3,681,585	2,870,723	1,232,668
Gross profit	4,469,785	4,223,722	4,694,479	3,603,192	1,886,260
Loss arising from changes in fair value less costs to sell of biological assets	(3,613,271)	(1,617,116)	(407,440)	(413,784)	(133,255)
Other income	453,821	362,890	151,974	76,979	55,396
Impairment loss under expected credit loss model, net of reversal	(6,629)	(32,739)	(12,438)	(45,083)	(24,761)
Impairment loss recognised for goodwill	(120,966)	–	–	–	–
Other gains and losses	135,551	47,999	(52,618)	(54,273)	(16,046)
Fair value loss on convertible notes	–	–	(132,910)	(10,769)	–
Selling and distribution expenses	(619,566)	(590,016)	(556,699)	(453,116)	(340,687)
Administrative expenses	(778,154)	(721,535)	(835,399)	(744,516)	(445,453)
Other expenses	(70,383)	(64,923)	(3,348)	(20,030)	(26,528)
Listing expenses	–	–	(17,848)	(34,365)	–
Share of loss of an associate	(126,559)	(35,531)	–	–	–
Share of (loss)/profit of a joint venture	(541)	4	23	25	–
Finance costs	(1,082,592)	(1,097,485)	(732,443)	(309,825)	(104,071)
(Loss)/profit before tax	(1,359,504)	475,270	2,095,333	1,594,435	850,855
Income tax expense	(93,388)	(69,284)	(74,117)	(53,805)	(48,973)
(Loss)/profit for the year	(1,452,892)	405,986	2,021,216	1,540,630	801,882
(Loss)/profit attributable to:					
Owners of the Company	(1,049,980)	414,771	1,558,016	1,340,735	801,882
Non-controlling interests	(402,912)	(8,785)	463,200	199,895	–
	(1,452,892)	405,986	2,021,216	1,540,630	801,882

	Year ended December 31,				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	46,199,728	43,446,317	31,961,639	22,200,943	9,946,574
Total liabilities	33,101,033	28,695,188	17,081,728	13,139,407	4,556,755
Total equity	13,098,695	14,751,129	14,879,911	9,061,536	5,389,819
Attributable to:					
Owners of the Company	11,830,718	13,063,746	13,180,911	7,820,208	5,389,819
Non-controlling interests	1,267,977	1,687,383	1,699,000	1,241,328	–

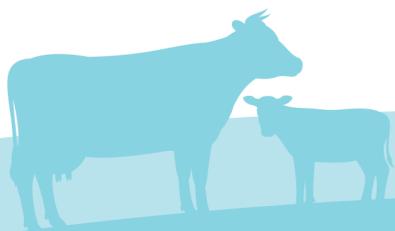


## Definitions

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the fourth amended and restated memorandum and articles of association of the Company adopted on May 27, 2022 with effect from May 27, 2022, as amended from time to time
“AGM”	the annual general meeting of the Company to be held on May 20, 2024
“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Auditor”	Deloitte Touche Tohmatsu
“Board” or “Board of Directors”	the board of directors of our Company
“Bright Dairy”	a group of companies comprising Shanghai Bright Dairy & Food Co., Ltd., a company incorporated in the PRC, and its subsidiaries, as a group, as one of our customers
“National Administration of Financial Regulation”	a comprehensive financial regulatory agency directly under the State Council, which is responsible for the supervision and management of banking, insurance, securities, funds, Internet finance and other fields
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules (as amended from time to time)
“China” or the “PRC”	the People’s Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Company” or “our Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dairy Products Purchase Framework Agreement”	the dairy products purchase framework agreement dated May 17, 2021 entered into between the Company and Yili
“Director(s)”	the director(s) of our Company

## Definitions

“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Yili Finance Company on September 28, 2021
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, “our” or “Youran Dairy”	the Company and its subsidiaries from time to time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars”, “HK dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Inner Mongolia Youran”	Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司), a company established under the laws of the PRC on August 1, 2007 and a wholly-owned subsidiary of the Company
“Junlebao Dairy”	a group of companies comprising Shijiazhuang Junlebao Dairy Co., Ltd., a company incorporated in the PRC, and its subsidiaries, as a group, as one of our customers
“Jingang”	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
“Latest Practicable Date”	April 18, 2024, being the latest practicable date for ascertaining certain information in this annual report before its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	June 18, 2021, the date on which the Shares were listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange



## Definitions

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
“Period of 2021”	for the year ended December 31, 2021
“Period of 2022”	for the year ended December 31, 2022
“Purchase and Sale Framework Agreement”	the products and services purchase and sale framework agreement regarding comprehensive ruminant farming solutions entered by the Company and YouYuan Farm on November 28, 2022
“Nomination Committee”	the nomination committee of the Company
“Prospectus”	the prospectus of the Company dated June 7, 2021
“Raw Milk Purchase and Sale Framework Agreement”	the raw milk purchase and sale framework agreement dated May 17, 2021 entered into between the Company and Yili
“Remuneration Committee”	the remuneration committee of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“Reporting Period”	the year ended December 31, 2023
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shared Financial Services Framework Agreement”	the shared financial services framework agreement dated November 28, 2022 entered into between Yili and the Company in respect of the provision of accounting related shared financial services by Yili to the Group
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd (內蒙古賽科星繁育生物技术(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been our subsidiary since January 8, 2020
“SOP”	Standard Operation Procedure
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



## Definitions

“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“TPM”	Total Productive Maintenance
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and one of the Company’s controlling shareholders
“Yili Finance Company”	Yili Finance Company Limited* (伊利財務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili
“Yili Group”	Yili and its subsidiaries and associates from time to time
“Youmu Investment Management”	Inner Mongolia Youmu Dairy Investment Management Co., Ltd. (內蒙古優牧奶業投資管理有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“YouYuan Farm”	Beijing YouYuan Farm Technology Corporation (北京優源牧業科技集團有限公司) (formerly known as ZhongDi Farm Technology Corporation (中地牧業科技集團有限公司)) and its subsidiaries and associates, a company established in April 2014 under the laws of PRC which is indirectly owned as to 72.84% by a wholly-owned subsidiary of Yili and as to 27.16% by the Company indirectly
“%”	per cent

