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優然牧業
YOURAN DAIRY

China Youran Dairy Group Limited

中國優然牧業集團有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 9858)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021**

HIGHLIGHTS

	Year ended December 31,		Year-on-year change (%)
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	
Revenue	15,346,167	11,781,195	30.3
Including: revenue from raw milk business	9,537,814	6,994,592	36.4
revenue from comprehensive ruminant farming solutions	5,808,353	4,786,603	21.3
Gross profit	4,694,479	3,603,192	30.3
Profit before income tax	2,095,333	1,594,435	31.4
Profit for the year	2,021,216	1,540,630	31.2
Profit attributable to owners of the Company	1,558,016	1,340,735	16.2
Non-IFRSs measure:			
Adjusted profit attributable to owners of the Company ¹	2,040,400	1,368,093	49.1
	<i>Heads</i>	<i>Heads</i>	
Herd size of dairy cows	416,196	308,195	35.0

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

1 Adjusted profit represents profit attributable to owners of the Company, after adjusting (i) the difference between the fair value loss on convertible notes and the total interest of 4% of the nominal cash interest rate of RMB103,696,000 for the year ended December 31, 2021 (2020: RMB(7,007,000)); (ii) the difference between the effective interest of convertible notes recognised at amortised cost and the interest calculated at 4% of the nominal cash interest rate of RMB291,799,000 for the year ended December 31, 2021 (2020: Nil); (iii) the listing expenses of RMB17,848,000 for the year ended December 31, 2021 (2020: RMB34,365,000); and (iv) loss on arbitration regarding the adjustments made to the consideration for acquisition of Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd (“SKX”) of RMB69,041,000 for the year ended December 31, 2021 (2020: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of China Youran Dairy Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”).

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

	<i>NOTES</i>	Year ended 31/12/2021 <i>RMB'000</i>	Year ended 31/12/2020 <i>RMB'000</i>
Revenue	5	15,346,167	11,781,195
Cost of sales	6	(14,333,273)	(11,048,726)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		<u>3,681,585</u>	<u>2,870,723</u>
Gross profit		4,694,479	3,603,192
Loss arising from changes in fair value less costs to sell of biological assets		(407,440)	(413,784)
Other income	7	151,974	76,979
Impairment loss under expected credit loss model, net of reversal	8	(12,438)	(45,083)
Other gains and losses	9	(52,618)	(54,273)
Fair value loss on convertible notes		(132,910)	(10,769)
Selling and distribution expenses		(556,699)	(453,116)
Administrative expenses		(835,399)	(744,516)
Other expenses		(3,348)	(20,030)
Listing expenses		(17,848)	(34,365)
Share of profit of a joint venture		23	25
Finance costs	10	<u>(732,443)</u>	<u>(309,825)</u>
Profit before tax		2,095,333	1,594,435
Income tax expense	11	<u>(74,117)</u>	<u>(53,805)</u>
Profit for the year		<u><u>2,021,216</u></u>	<u><u>1,540,630</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

	<i>NOTES</i>	Year ended 31/12/2021 <i>RMB'000</i>	Year ended 31/12/2020 <i>RMB'000</i>
Other comprehensive income/(expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income		(12,928)	25,352
Exchange differences arising on translation from functional currency to reporting currency		(352,491)	–
		<u>(365,419)</u>	<u>25,352</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		436,402	49
Other comprehensive income for the year, net of income tax		70,983	25,401
Total comprehensive income for the year		<u>2,092,199</u>	<u>1,566,031</u>
Profit for the year attributable to:			
Owners of the Company		1,558,016	1,340,735
Non-controlling interests		463,200	199,895
		<u>2,021,216</u>	<u>1,540,630</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		1,634,521	1,355,559
Non-controlling interests		457,678	210,472
		<u>2,092,199</u>	<u>1,566,031</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share	13		
Basic		0.44	0.41
Diluted		0.44	0.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021

	<i>NOTES</i>	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current assets			
Property, plant and equipment		10,131,630	6,183,940
Investment properties		25,744	29,853
Right-of-use assets		2,186,585	1,321,296
Goodwill		792,980	762,741
Intangible assets		4,278	4,934
Biological assets		10,408,379	7,038,112
Deferred tax assets		17,751	11,382
Interest in a joint venture		496	808
Equity instruments at fair value through other comprehensive income		24,812	72,040
Pledged and restricted bank deposits		10,250	21,282
Deposits paid for purchase of property, plant and equipment		467,916	140,352
Deposits paid for purchase of biological assets		423,020	208,907
Deposits paid for right-of-use assets		13,635	—
		24,507,476	15,795,647
Current assets			
Inventories	<i>15</i>	3,326,130	1,972,145
Trade receivables	<i>16</i>	1,189,240	834,521
Bills receivables at fair value through other comprehensive income		13,828	27,080
Contract assets		8,354	12,139
Biological assets		7,701	9,564
Prepayments, deposits and other receivables	<i>17</i>	467,554	246,691
Amounts due from related parties		780,392	555,676
Pledged and restricted bank deposits		33,544	128,367
Bank balances and cash		1,015,261	2,619,113
Deposits placed with a related party		612,159	—
		7,454,163	6,405,296
Current liabilities			
Trade and bills payables	<i>18</i>	1,878,597	1,438,505
Other payables and accruals	<i>19</i>	1,397,550	1,149,490
Contract liabilities		41,090	34,770
Amounts due to related parties		1,883	14,257
Bank and other borrowings		5,412,175	4,224,527
Lease liabilities		51,009	38,684
Other liabilities		6,593	6,261
Other provisions		82,056	18,546
Convertible notes		2,407,292	—
Income tax payable		29,741	19,068
		11,307,986	6,944,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT DECEMBER 31, 2021

	<i>NOTES</i>	31/12/2021 RMB'000	31/12/2020 RMB'000
Net current liabilities		<u>(3,853,823)</u>	<u>(538,812)</u>
Total assets less current liabilities		<u>20,653,653</u>	<u>15,256,835</u>
Non-current liabilities			
Bank and other borrowings		4,043,939	1,971,606
Convertible notes		–	3,043,648
Deferred tax liabilities		6,434	6,667
Deferred income		434,053	216,968
Lease liabilities		1,266,390	928,805
Other liabilities		14,252	20,845
Other provisions		<u>8,674</u>	<u>6,760</u>
		<u>5,773,742</u>	<u>6,195,299</u>
Net assets		<u>14,879,911</u>	<u>9,061,536</u>
Capital and reserves			
Share capital		251	219
Reserves		<u>13,180,660</u>	<u>7,819,989</u>
Equity attributable to owners of the Company		<u>13,180,911</u>	7,820,208
Non-controlling interests		<u>1,699,000</u>	<u>1,241,328</u>
Total equity		<u>14,879,911</u>	<u>9,061,536</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 at the offices of Ogier Global (Cayman) Limited, 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 People’s Republic of China (the “**PRC**”).

In preparation for the listing of the shares of the Company on the Stock Exchange, the Group underwent a group reorganisation. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, accordingly, the comparative financial information have been prepared as if the Company had always been the holding company of the Group.

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.

During the current year, the functional currency of the Company was changed from Renminbi (“**RMB**”) to United States Dollar (“**USD**”) as the Company commenced trading business from the first quarter of 2021, with sales and purchases denominated and settled in USD. The Directors of the Company have determined that USD better reflects the economic substance of the Company. Accordingly, the functional currency of the Company was changed prospectively from March 31, 2021.

The consolidated financial statements are presented in RMB, which is different from the Company’s functional currency of USD. The Directors of the Company adopted RMB as presentation currency because the Group primarily conducts its business in the PRC.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, International Accounting Standards (“ IAS ”) 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the 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.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts and the related Amendments</i> ³
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ³
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ³
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ²
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2018-2020</i> ²

¹ Effective for annual periods beginning on or after April 1, 2021.

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after January 1, 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors of the Company anticipate that the application of the above new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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, 2021, the Group had net current liabilities of RMB3,854 million. 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, 2022 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, 2021. 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 its operating activities, the available unutilised bank loan facilities obtained and the successful renewal of certain bank loan facilities amounting to approximately RMB5 billion in 2022.

The consolidated financial statements has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and biological assets at fair value less costs to sell, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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.

Key sources of estimation uncertainty

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 each 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 future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram 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, 2021 was RMB6,660,982,000 (2020: RMB4,564,233,000).

Estimated impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill

The carrying amount of property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable in accordance with the accounting policies. The recoverable amount of these assets are the greater 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, 2021, the aggregate carrying amounts of these assets of the Group were approximately RMB12,348,237,000 (2020: RMB7,540,023,000).

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group uses provision matrix to calculate ECL for the trade receivables which are individually insignificant. The provision rates are based on aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration 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 Group's trade receivables is disclosed in Note 16.

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 ratio, 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, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's raw milk and other businesses.

As at December 31, 2021, the carrying amount of goodwill was RMB792,980,000 (2020: RMB762,741,000).

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Types of goods:		
Sales of raw milk	9,537,814	6,994,592
Sales of feeds	5,328,139	4,395,724
Sales of ruminant farming products	411,453	339,992
Sales of breeding products	68,761	50,887
	<u>15,346,167</u>	<u>11,781,195</u>
Timing of revenue recognition:		
A point in time	<u>15,346,167</u>	<u>11,781,195</u>

(ii) Performance obligations for contracts with customers

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 the goods and accepted the quality.

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 Segment 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

Segment revenue and results

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

For the year ended December 31, 2021

	Raw milk business <i>RMB'000</i>	Comprehensive ruminant farming solutions <i>RMB'000</i>	Segment total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
External customers	9,537,814	5,808,353	15,346,167	–	15,346,167
Inter-segment revenue	–	1,769,977	1,769,977	(1,769,977)	–
	<u>9,537,814</u>	<u>7,578,330</u>	<u>17,116,144</u>	<u>(1,769,977)</u>	<u>15,346,167</u>
Segment results	<u>3,040,390</u>	<u>337,633</u>	<u>3,378,023</u>		3,378,023
Loss arising from changes in fair value less costs to sell of biological assets					(407,440)
Fair value loss on convertible notes					(132,910)
Share of profit of a joint venture					23
Unallocated other income and expenses					(146,472)
Unallocated finance costs					(595,891)
Profit before tax					<u>2,095,333</u>

For the year ended December 31, 2020

	Raw milk business <i>RMB'000</i>	Comprehensive ruminant farming solutions <i>RMB'000</i>	Segment total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
External customers	6,994,592	4,786,603	11,781,195	–	11,781,195
Inter-segment revenue	–	1,481,744	1,481,744	(1,481,744)	–
	<u>6,994,592</u>	<u>6,268,347</u>	<u>13,262,939</u>	<u>(1,481,744)</u>	<u>11,781,195</u>
Segment results	<u>2,136,050</u>	<u>233,705</u>	<u>2,369,755</u>		2,369,755
Loss arising from changes in fair value less costs to sell of biological assets					(413,784)
Fair value loss on convertible notes					(10,769)
Share of profit of a joint venture					25
Unallocated other income and expenses					(195,378)
Unallocated finance costs					(155,414)
Profit before tax					<u>1,594,435</u>

Segment results represent the profit before tax earned by each segment without allocation of central administration costs, changes in fair value less costs to sell of biological assets and corporate income and expenses, fair value loss on convertible loans, share of profit of a joint venture 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.

Other segment information

Amounts included in the measure of segment results:

	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, 2021					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	317,538	46,846	364,384	12,915	377,299
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	3,911	8,527	12,438	–	12,438
Loss on disposal of property, plant and equipment	6,033	1,625	7,658	–	7,658
Write-down of inventories	–	4,602	4,602	–	4,602
Bank interest income	(23,971)	(4,108)	(28,079)	(157)	(28,236)
Finance costs	120,128	16,424	136,552	595,891	732,443
Amounts not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (<i>Note</i>)	8,590,494	156,787	8,747,281	143	8,747,424
Interest in a joint venture	–	–	–	496	496
Share of profit of a joint venture	–	–	–	23	23
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Raw milk business <i>RMB'000</i>	Comprehensive ruminant farming solutions <i>RMB'000</i>	Segment total <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended December 31, 2020					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	267,769	51,106	318,875	15,395	334,270
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	6,621	38,462	45,083	–	45,083
Impairment loss of property, plant and equipment	15,197	–	15,197	–	15,197
Loss on disposal of property, plant and equipment	4,051	1,858	5,909	–	5,909
Write-down of inventories	–	5,190	5,190	–	5,190
Bank interest income	(6,403)	(3,610)	(10,013)	(2,593)	(12,606)
Finance costs	152,130	2,281	154,411	155,414	309,825
Amounts not included in the measure of segment profit or loss					
Additions to non-current assets (<i>Note</i>)	4,297,527	97,419	4,394,946	579	4,395,525
Interest in a joint venture	–	–	–	808	808
Share of profit of a joint venture	–	–	–	25	25

Note: Non-current assets excluded goodwill, equity instruments at FVTOCI, pledged and restricted bank deposits, interest in a joint venture, deferred tax assets, and non-current assets acquired through business combination.

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 and all the segments are managed on a nationwide basis because of the similarity of the type or class of the customers and the similarity of the regulatory environment in the whole region, no geographic information by segment is presented.

Revenue from major customers

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A:		
Revenue from sales of raw milk	8,756,701	6,701,441
Revenue from sales of feeds	68,944	27
Revenue from ruminant farming products	7,261	–
Revenue from breeding products	5,871	–
	8,838,777	6,701,468

6. COST OF SALES

An analysis of cost of sales is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of raw milk sold before fair value adjustments	5,585,284	4,000,063
Raw milk fair value adjustments	<u>3,677,884</u>	<u>2,863,723</u>
Cost of raw milk sold after fair value adjustments	<u>9,263,168</u>	<u>6,863,786</u>
Cost of feeds sold before forage grass fair value adjustments	4,682,608	3,865,155
Forage grass fair value adjustments	<u>3,701</u>	<u>7,000</u>
Cost of feeds sold after fair value adjustments	<u>4,686,309</u>	<u>3,872,155</u>
Cost of ruminant farming products sold	352,916	283,015
Cost of breeding products (<i>Note (i)</i>)	<u>30,880</u>	<u>29,770</u>
Total cost of sales	<u><u>14,333,273</u></u>	<u><u>11,048,726</u></u>

Note:

- (i) The cost of breeding products for the year ended December 31, 2021 included write-down of inventories of RMB4,602,000 (2020: RMB5,190,000), which was mainly attributable to the decline in market price. These inventories are written down to net realisable value.

7. OTHER INCOME

An analysis of other income is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants released from deferred income	58,228	26,487
Incentive subsidies (<i>Note (i)</i>)	39,985	17,825
Rental income	6,027	6,691
Bank interest income	28,236	12,606
Income from sale of scrap materials	7,581	3,725
Compensation income	2,349	704
Write-back of other payables	4,274	4,441
Others	<u>5,294</u>	<u>4,500</u>
	<u><u>151,974</u></u>	<u><u>76,979</u></u>

Note:

- (i) The amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and unconditional 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.

8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss recognised on:		
Trade receivables	9,786	41,359
Other receivables	2,652	3,724
	<u>12,438</u>	<u>45,083</u>

9. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Foreign exchange differences, net	4,261	(29,371)
Loss on disposal of property, plant and equipment, net	(7,658)	(5,909)
Impairment loss on property, plant and equipment	–	(15,197)
Fair value gain on derivative financial instruments (<i>Note (i)</i>)	4,299	436
Gain on termination and modification of lease agreements	1,857	–
Loss on arbitration regarding the adjustments made to the consideration for acquisition of SKX (<i>Note (ii)</i>)	(69,041)	–
Recovery of pre-acquisition doubtful debt of SKX Group	11,366	–
Others	2,298	(4,232)
	<u>(52,618)</u>	<u>(54,273)</u>

Notes:

- (i) The fair value changes represent gain/loss on commodity forward contracts entered for the purpose of hedging the market price fluctuations on soybean meal. The Group did not have open positions at the respective year end. The Group did not formally designate or document the hedging transactions with respect to the commodity forward contracts.
- (ii) On December 7, 2020, the Group received a notice of arbitration regarding the adjustments made to the consideration for the acquisition of SKX. The arbitration amount is RMB44.9 million. The Directors of the Company considered that it was not probable that an outflow of resources embodying economic benefits would be required to settle the obligation. Accordingly, no provision was made in relation to this arbitration during the year ended December 31, 2020.

On September 1, 2021, the Group received the arbitration result from the Beijing Arbitration Commission. Based on this arbitration result, the Group was required to pay the adjusted consideration to certain former shareholders of SKX. The Directors of the Company considered the amount is not material to the prior year's financial statements and recognised a provision of RMB69 million during the year ended December 31, 2021.

10. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on:		
Bank and other borrowings	302,254	261,705
Other liabilities	1,239	1,692
Lease liabilities	56,218	48,442
Unwind of interest of other provisions	426	334
Effective interest expense on convertible notes	382,551	—
	<u>742,688</u>	<u>312,173</u>
Less: Amounts capitalised to construction in progress	(10,245)	(2,348)
	<u>732,443</u>	<u>309,825</u>

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

11. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	82,395	57,377
(Overprovision)/underprovision in prior periods:		
PRC EIT	(1,676)	2,162
Deferred tax	(6,602)	(5,734)
	<u>74,117</u>	<u>53,805</u>

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 (2020: 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 for both years. In addition, certain subsidiaries operating in the PRC, including Muquan Yuanxing Feeds, Ningxia Bio-Technology, Wulanchabu Muquan Yuanxing Feeds and Bayannur Muquan Yuanxing Feeds, 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 Bio-Technology is eligible for 40% EIT reduction from 2018 to 2020 and 20% EIT reduction from 2021 on the basis of 15% tax rate.

Under the Law of the PRC on Enterprise Income Tax (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% (2020: 25%).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	2,095,333	1,594,435
Tax at the statutory rate of 25% (2020: 25%)	523,833	398,609
Tax effect of expenses not deductible for tax purpose	2,700	13,532
Effect of PRC tax exemption granted to agricultural business	(561,100)	(361,202)
Preferential income tax rates applicable to PRC subsidiaries	(22,778)	(16,239)
Effect of tax exemption granted to the Company	134,984	18,799
(Overprovision)/underprovision in respect of prior periods	(1,676)	2,162
Utilisation of tax losses previously not recognised	–	(1,016)
Tax effect of additional deduction rate on certain research and development expenses	(1,850)	(790)
Share of profit of a joint venture	(6)	(6)
Others	10	(44)
Income tax expenses	74,117	53,805

12. PROFIT FOR THE YEAR

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of:		
Property, plant and equipment	578,587	491,016
Investment properties	1,981	2,851
Right-of-use assets	121,362	80,303
Amortisation of intangible assets	748	508
	<hr/>	<hr/>
Total depreciation and amortisation	702,678	574,678
Less: Capitalised in biological assets	(274,204)	(209,215)
Capitalised in construction in progress	(10,512)	(930)
Capitalised in inventories	(40,663)	(30,263)
	<hr/>	<hr/>
Depreciation and amortisation charged directly to profit or loss	377,299	334,270
	<hr/>	<hr/>
Lease payments not included in the measurement of lease liabilities	28,055	22,878
Less: Capitalised in biological assets	(12,658)	(9,199)
Capitalised in inventories	(391)	(2,927)
	<hr/>	<hr/>
	15,006	10,752
	<hr/>	<hr/>
Auditors' remuneration	4,000	3,200
	<hr/>	<hr/>
Research and development costs recognised in profit or loss included in administrative expenses	48,310	22,695
	<hr/>	<hr/>
Employee benefits expense (including Directors' remuneration):		
Salaries and allowances	901,054	834,307
Retirement benefit scheme contributions	87,010	21,461
	<hr/>	<hr/>
Total staff costs	988,064	855,768
Less: Capitalised in biological assets	(282,078)	(191,725)
	<hr/>	<hr/>
	705,986	664,043
	<hr/> <hr/>	<hr/> <hr/>

13. EARNINGS PER SHARE

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

	2021 RMB'000	2020 <i>RMB'000</i>
Earnings for the purpose of basic earning per share	1,558,016	1,340,735
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>N/A</u>	<u>10,769</u>
Earnings for the purpose of diluted earnings per share	<u>1,558,016</u>	<u>1,351,504</u>
	2021 '000	2020 <i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating earnings per share	3,566,951	3,255,627
Effect of dilutive potential ordinary shares:		
Convertible notes	<u>N/A</u>	<u>152,756</u>
	<u>3,566,951</u>	<u>3,408,383</u>

The computation of diluted earnings per share for the year ended December 31, 2021 does not assume the conversion of the Company's outstanding convertible notes since their assumed conversion would result in an increase in earnings per share.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended December 31, 2020 has been determined on the assumption that the reorganisation as described in Note 2 of Historical Financial Information included in the prospectus of the Company dated June 7, 2021 had been effected since January 1, 2020.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period.

During 2020, the Company declared a special dividend of US\$180,348,072 (approximately RMB1,198,748,000) to the ordinary shareholders of the Company.

15. INVENTORIES

	31/12/2021 RMB'000	31/12/2020 <i>RMB'000</i>
Raw materials	3,160,837	1,830,951
Finished goods	142,086	102,804
Semi-finished goods	6,835	24,608
Breeding products	<u>16,372</u>	<u>13,782</u>
	<u>3,326,130</u>	<u>1,972,145</u>

16. TRADE RECEIVABLES

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Trade receivables	1,265,196	900,956
Less: Allowance for credit loss	<u>(75,956)</u>	<u>(66,435)</u>
	<u>1,189,240</u>	<u>834,521</u>
Trade receivables from related parties	<u>780,392</u>	<u>555,676</u>

The following is the aged analysis of trade receivables, net of allowance for credit losses, presented based on the delivery dates:

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Within 90 days	953,182	740,925
90 days to 180 days	189,470	83,832
181 days to 1 year	43,532	5,889
Over 1 year	<u>3,056</u>	<u>3,875</u>
	<u>1,189,240</u>	<u>834,521</u>

The following is the past due analysis of the carrying amount of trade receivables:

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Not yet past due	866,296	535,788
Past due less than 30 days	127,873	100,238
Past due more than 30 days but less than 90 days	136,288	153,371
Past due more than 90 days	<u>58,783</u>	<u>45,124</u>
	<u>1,189,240</u>	<u>834,521</u>

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. For special cases, management will consider the corresponding expected credit loss separately. The provision rates are based on aging groupings of customer segments with similar loss patterns (i.e., by product type and customer type). The calculation is a probability-weighted outcome, which reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2021 RMB'000	31/12/2020 <i>RMB'000</i>
Prepayments	390,454	194,261
Value-added tax recoverable	6,534	11,776
Deposits placed with brokers for commodity forward contracts	41,800	8,606
Rental receivables	4,104	5,820
Utility and other deposits	16,275	8,414
Compensation receivable	1,727	3,270
Advances to staff	1,137	1,717
Capitalised issue cost	–	7,479
Other receivables	11,904	9,077
	473,935	250,420
Less: Allowance of doubtful debts	(6,381)	(3,729)
	467,554	246,691

18. TRADE AND BILLS PAYABLES

	31/12/2021 RMB'000	31/12/2020 <i>RMB'000</i>
Trade payables	1,717,402	1,015,870
Bills payables	161,195	422,635
	1,878,597	1,438,505

The following is an aged analysis of trade payables presented based on delivery dates.

	31/12/2021 RMB'000	31/12/2020 <i>RMB'000</i>
Within 1 year	1,620,254	896,459
1 to 2 years	57,904	74,789
2 to 3 years	14,675	10,774
More than 3 years	24,569	33,848
	1,717,402	1,015,870

The maturity period of bills payables are normally within 1 year based on the invoice dates.

19. OTHER PAYABLES AND ACCRUALS

	31/12/2021	31/12/2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of property, plant and equipment	828,935	565,102
Salaries and welfare payables	220,291	181,277
Deposits received from suppliers	130,233	94,464
Service and professional fee payables	71,933	58,636
Freight charges payables	56,051	35,285
Storage fee payables	12,817	13,722
Consideration payable for the acquisition of SKX Group	–	110,745
Payables for acquisition of non-controlling interests	–	24,781
Non-income tax related tax payables	16,609	8,607
Sundry payables and accrued expenses	52,279	41,101
Accrued listing expenses	1,453	13,392
Accrued issue costs	6,949	2,378
	1,397,550	1,149,490

20. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, events and transactions took place subsequent to December 31, 2021 are detailed as below:

On March 2, 2022, the Company entered into a share transfer agreement with YeGu Investment Company Limited (the “**Seller**”) and Mr. Zhang Jianshe, 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 Harvest Limited, which wholly owns China ZhongDi Dairy Holdings Company Limited, at a total consideration of HK\$1,206,380,000. The above transaction has been published in the Company’s announcement dated March 2, 2022.

This transaction has not been completed up to the date of approval of the consolidated financial statements of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

LONG-TERM ADVANTAGES

In pursuit of the vision “leading the dairy farming industry in China and to become the most reliable world-class dairy farming group”, the Group focuses on the upstream dairy market, and continues to consolidate its long-term advantages of “the most comprehensive upstream dairy industry chain, the largest scale, the best structure and the strongest operational capacity”, to constantly create value for customers, shareholders and the society and achieve the Group’s sustainable development.

Through nearly 40 years of development, as a leading enterprise in the upstream dairy industry, the Group’s long-term advantages during the Reporting Period were mainly in the following aspects: (i) The Group’s business has covered the entire upstream dairy industry chain from raw milk business, feed business, breeding business to ruminant farming products marketplace business, each of which has secured a leading position in its own field. The Group offers diversified services such as online product trading, technical consultation, remote diagnosis and information support through *Jumuc.com*, a China’s leading sharing platform for dairy industry chain. (ii) Against the backdrop of increasingly tight land resources, the Group leverages its first-mover advantage to expand dairy farms and feed mills. During the Reporting Period, three newly built dairy farms, one feed mill, one premix production workshop and one key bull station of the Group had been put into operation. Meanwhile, the Group acquired Fonterra China Farms Group (including six dairy farms) during the Reporting Period, and the number of dairy cows of the Group reached 416,000 as of December 31, 2021. During the Reporting Period, the Group’s production volume of raw milk and concentrated feed reached 1,990,000 tons and 1,111,000 tons, respectively. (iii) The Group has continuously enriched its specialty raw milk offerings. During the Reporting Period, in addition to organic milk, A2 milk, DHA milk, Jersey milk and other categories of specialty raw milk, the Group also launched such special raw milk as organic A2 milk and selenium-rich milk to continuously increase its total production volume of special raw milk; during the Reporting Period, SKX cultivated a sire that ranked the first in the national genetic groups (NAAB registration). Moreover, SKX’s research team took the lead in making great achievements in the research of new stem cells in cattle, which is expected to open up a new avenue for the basic research and industrial application of dairy cattle bio-breeding in the future. With the advanced breeding techniques of SKX, the supply of core breeding herds for the Group will be guaranteed in the long-term run. (iv) As the world’s first Chinese dairy farming enterprise in the industry recognised by an authoritative international lean production management certification organization, Japan Institute of Plant Maintenance, with the Excellence Award, the Group took the initiative in introducing the industrialized mode into the upstream dairy industry, and replicated the lean production operation and management mode in its own and social farms and feed mills in a standardized and rapid way, thereby rapidly improving the organizational and operational capabilities of its own farms, production bases and partners.

INDUSTRY REVIEW

With respect to the dairy industry, with the rapid recovery of China's economy, the growth of national income and the change in consumer awareness, new momentum is being created for the growth of dairy products. According to the National Bureau of Statistics, national dairy production increased by 9.4% year-on-year during the Reporting Period, while national milk production increased by 7.1% year-on-year, driven by the demand of the dairy downstream market. The growth rate of dairy production still outperformed that of raw milk supply, and the tension between demand and supply continued, which would support milk prices to maintain a high level. Based on the consumption trend in 2021, the continuous consumption upgrade in the PRC market and the COVID-19 pandemic have greatly changed Chinese consumers' consumption consciousness, in terms of the equivalent of raw milk, per capita dairy product consumption in China was 38.3 kilograms, accounting for approximately one-third of the world average level and still with room for growth. The change in consumers' consumption consciousness has driven up the demand for dairy products, in particular personalised and high-end dairy products with rich nutrients. Upon the implementation of regular epidemic prevention and control measures, the consumption of dairy products rapidly recovered. According to AC Nielsen, sales of high-end white milk increased by 16.5% year-on-year during the Reporting Period.

With respect to the dairy farming industry, due to the tightening of national land policies, increased environmental requirements, price increases of bulk raw materials as a result of trade frictions and the epidemic, the barriers of the dairy farming industry continue to heighten and the concentration is further increased, promoting the scale development of large dairy farming groups. In November 2021, the State Council issued the 14th Five-Year Plan for Promoting Agricultural and Rural Modernization (《「十四五」推進農業農村現代化規劃》), which explicitly provides that the state will revitalize seed industry, establish milk source bases and develop green and circular agriculture with organic combination of planting and breeding. On February 16, 2022, the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**Ministry of Agriculture and Rural Affairs**") issued the Action Plan for Improving the Competitiveness of Dairy Industry in the 14th Five-Year Plan (《「十四五」奶業競爭力提升行動方案》). The plan defines the action goal: by 2025, the national milk output will reach about 41 million tons, which aims to improve the competitiveness of dairy industry and ensure the safety of milk supply. The above national policies will bring more development opportunities for large-scale dairy farming group with business operations covering the entire industry chain.

With respect to ruminant feed, according to the monitoring data of the Ministry of Agriculture and Rural Affairs, the production volume of concentrated feed for ruminants grew by 12.2% from 13.2 million tons for the year ended December 31, 2020 to 14.8 million tons during the Reporting Period. The expansion of the herd size of cows, the improvement of farming and the demand for scale farming promoted the growth of the market of concentrated feed for ruminants. As the requirements on the quality of feed and technical services became more stringent, the advantages of feed production enterprises with research and development capabilities and technical service capabilities have been increasingly prominent. In addition, the Five-year Action Plan on Promoting the Development of Beef Cattle and Sheep Production (《推進肉牛肉羊生產發展五年行動方案》) released by the Ministry of Agriculture and Rural Affairs in April 2021 will promote the high-quality and efficient development of beef cattle and sheep production and will facilitate the long-term development of ruminant feed.

With respect to breeding business, in April 2021, the Ministry of Agriculture and Rural Affairs issued the National Livestock and Poultry Genetic Improvement Plan (2021-2035) 《全國畜禽遺傳改良計劃(2021-2035年)》, clarifying target tasks and technical routes for genetic improvement of major livestock and poultry in China in the next 15 years. In July 2021, the Ministry of Agriculture and Rural Affairs released the Reply to the Proposal No. 9075 of the Fourth Session of the 13th National People’s Congress 《對十三屆全國人大四次會議第9075號建議的答覆》, clarifying that it will resolutely promote the revitalization of the dairy industry and the seed industry, strengthen the breeding of domestically-produced fine breeds of dairy cows and the establishment of in-house breeding system, support the popularization and application of domestically-produced high-quality dairy cows and genetic resources, and guarantee the supply of domestically-produced dairy cows. With the support of national livestock and poultry genetic improvement and breeding policies, it will become a national strategy to enhance the core competitiveness of China’s dairy breeding industry by improving herd genetics to gradually narrow the gap with international genetic performance, so as to ensure germplasm resources security, which is expected to open up a new avenue for basic research and industrial application of dairy cattle bio-breeding in the future.

BUSINESS REVIEW

As the largest provider of comprehensive products and services along the upstream dairy industry chain in China, the Group continued to maintain high growth in its raw milk, feed and breeding businesses during the Reporting Period by leveraging its advantages in scale as a leading enterprise and model of business operations spanning the entire upstream dairy industry chain. Each business segment synergized highly and effectively to reduce cost, improve economies of scale and enhance the Group’s ability to resist risks, thereby consolidating the Group’s leading position in the industry. During the Reporting Period, the Group expanded the production scale of its raw milk and feed businesses through acquisition and construction of dairy farms and feed mills. During the Reporting Period, the Group continued to launch new products of specialty raw milk and feed products. During the Reporting Period, the Group improved operational efficiency through effective implementation of lean production management and further increased average milk yield.

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

Business Segments	Business Lines	Business Introduction
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 and selenium-rich milk.
Comprehensive ruminant farming solutions	Feed business	The Group provides nutritious concentrated feed and forage grass for dairy farms that meet the demands of ruminants for their growth and production, and offers ancillary support services, such as ruminant nutrition, breeding techniques, and ruminant healthcare, free of charge.

Business Segments	Business Lines	Business Introduction
	Breeding business	The Group provides dairy farms with access to high quality regular frozen bovine semen, sex-sorted frozen bovine semen, embryos, breeding solutions, etc. from home and abroad through its subsidiary, SKX.
	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 <i>Jumuc.com</i> , a China's leading sharing platform for dairy industry chain, and offline pick-up stores, and offers diversified services such as online product trading, technical consultation, remote diagnosis and information support through <i>Jumuc.com</i> , to diversify its product offerings and further address its customers' business needs.

All business segments of the Group recorded satisfactory financial performance during the Reporting Period. The Group's revenue grew by 30.3% from RMB11,781 million for the year ended December 31, 2020 to RMB15,346 million for the Reporting Period. Thanks to the significant growth in the revenue and the continuous improvement of the Company's operational efficiency, the Group recorded a net profit of RMB2,021 million for the Reporting Period, representing an increase of 31.2% from RMB1,541 million for the year ended December 31, 2020. The following table sets forth the revenue data with respect to the Group's each business segment for the periods indicated:

	Year ended December 31,		Year-on-year change	Percentage of the Group's total revenue for the Reporting Period
	2021	2020		
	<i>RMB'000</i>	<i>RMB'000</i>	(%)	(%)
Revenue	15,346,167	11,781,195	30.3	100
Including: Raw milk business	9,537,814	6,994,592	36.4	62.2
Comprehensive ruminant farming solutions	5,808,353	4,786,603	21.3	37.8
Including: Feed business	5,328,139	4,395,724	21.2	34.7
Ruminant farming products marketplace business	411,453	339,992	21.0	2.7
Breeding business	68,761	50,887	35.1	0.4

Raw milk

The Group's raw milk sales volume increased from 1,529,835 tons for the year ended December 31, 2020 to 1,947,226 tons for the Reporting Period, among which the sales volume of specialty raw milk increased from 396,164 tons for the year ended December 31, 2020 to 474,142 tons for the Reporting Period. The average unit price of raw milk of the Group increased by 6.5% from RMB4.6 per kilogram for the year ended December 31, 2020 to RMB4.9 per kilogram for the Reporting Period. The number of dairy cows of the Group increased from 308,195 as of December 30, 2020 to 416,196 as of December 31, 2021.

As of December 31, 2021, the Group operated 73 modern dairy farms across 16 provinces in China. The Group continuously expanded its scale of raw milk business and established new dairy farms. As of December 31, 2021, the Group had commenced the construction of new dairy farms in Inner Mongolia, Henan, Shandong, Anhui, Xinjiang, etc. During the Reporting Period, the Group had put into operation three new dairy farms, of which one farm housed 6,000 Jerseys.

The Group is currently in a stage of rapid development. In terms of herd structure, the proportion of calves and heifers is relatively high. As of December 31, 2021, the Group had 204,545 milkable cows and 211,651 calves and heifers, accounting for 49.1% and 50.9% of the total number of the Group's dairy cows, respectively, which represents that the Group has a very strong and clear advantage in releasing its raw milk production capacity in the future.

In terms of average milk yield, annualised average milk yield per milkable cow (excluding Jerseys) increased by 3.8% from 10.5 tons for the year ended December 31, 2020 to 10.9 tons in the Reporting Period. The Group has adopted various measures, including establishing core herds and increasing the proportion of high-performance cows through genetic testing and breeding technologies; continuously improving SOP feeding management process standards and standardized operation of employees; focusing on improving the comfort of cows through heatstroke prevention, warm-keeping and nutrition to continuously enhance herd welfare; precisely monitoring the behaviour of each cow with the big data management system to effectively ensure herd health; and leveraging synergies with its feed business and breeding business to guarantee quality feed from the source and improve genetic traits of dairy herds, thus achieving the positive cycle with "outstanding breeding brings outstanding cows, fine feed for fine cows and excellent cows producing excellent milk".

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,	
	2021	2020
Number of dairy farms	73	67
Number of dairy cows (in heads)	416,196	308,195
Raw milk production volume (in tons)	1,989,684	1,562,409
Raw milk sales volume (in tons)	1,947,226	1,529,835
Average unit price of raw milk (RMB/kg)	4.9	4.6
Annualised average milk yield per milkable cow (excluding Jerseys (<i>Note 1</i>)) (in tons)	10.9	10.5
Including: Annualised average milk yield per milkable cow (excluding Jerseys) of Youran (in tons)	11.2	11.0
Including: Youran (excluding Fonterra China Farms Group) (in tons)	11.4	11.0
Including: Fonterra China Farms Group (in tons)	10.3	9.3 (<i>Note 2</i>)
Annualised average milk yield per milkable cow of SKX (in tons)	10.5	10.0

Note 1: Jerseys are a breed of small dark brown dairy cattle 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.

Note 2: For the year ended December 31, 2020, annualised average milk yield per milkable cow was calculated based on the total raw milk production volume divided by the average number of the milkable cows during the period.

Comprehensive ruminant farming solutions

Through nearly 40 years of unwavering focus on ruminant studies, the Group has gained invaluable nutrition research experience and profound industry insights. The Group provided ruminant farming products and services to customers during the Reporting Period, the particulars of which are as follows:

In terms of feed business, the sales volume of concentrated feed during the Reporting Period amounted to 914,000 tons. Insisting on the core philosophy of provision of “China’s leading comprehensive ruminant farming solutions” to customers, the Group actively expanded sales channels and established the product layout of beef cattle, sheep and dairy goats under the sales model of “service + product”, so as to promote business development. The sales volume of concentrated feed for beef cattle, sheep and dairy goats during the Reporting Period increased by 49.1% as compared with the year ended December 31, 2020. During the Reporting Period, the Group provided leading comprehensive ruminant farming solutions for over 500 dairy farms in China, serving nearly 1.5 million ruminants. Through the provision of comprehensive solutions, the average milk yield of demonstration dairy farms across China for the Reporting Period increased by 4.77% as compared with the year ended December 31, 2020, achieving win-win results between the Group and its customers. During the Reporting Period, the Group continuously enhanced the production scale of feed business and built high value-added premix feed production lines. The Group also expanded the supply scope of its own feed mills to cover such three major markets as Shandong, Anhui and Jiangsu through putting Shandong Feed Mill into operation, making the production capacity of feed business increase by 400,000 tons. A China’s leading premix production workshop in Ulanqab has been put into operation, which adopts the same standard as infant milk powder in producing premixes with product preparation accuracy up to 0.1%, providing solutions for the precise nutrition needed by the industry in the era of high average milk yield in the future.

In terms of ruminant farming products marketplace business, as a China’s leading sharing platform for dairy industry chain, *Jumuc.com* covers the products and services along the whole industry chain such as “dairy cattle, dairy goats, beef cattle and goats”. In order to provide customers with better products and services and promote the shift of platform business to agricultural industrialization, *Jumuc.com* was fully upgraded in 2021. After that, *Jumuc.com* provides diversified services such as online product trading, technical consultation, remote diagnosis and information support. The Group has established long-term and stable strategic cooperation with a number of world leading animal nutrition and farm equipment manufacturing companies and domestic first-class animal health companies, to improve the operational efficiency of the supply chain. The number of the Group’s offline “bee warehouse” has reached over 40, which is designed to resolve the “last kilometer” distribution problems for partners, and to promote the common development with upstream and downstream partners in the industrial chain to achieve win-win results.

In terms of breeding business, during the Reporting Period, SKX has cultivated a sire that ranked the first in the national genetic groups (NAAB registration), and it had a total of nine sires ranking among the top 20 in China, of which five sires ranked among the top 10. According to the bull list released by the Holstein Association USA in April 2021, SKX has introduced frozen bovine semen for dairy cows from sires ranking first by global verification and ranking first by genomic selection into Chinese markets. In 2021, SKX provided nearly 500 customers and 1.64 million cows with high-quality frozen semen and produced nearly 9,000 high-yield sex-sorted embryos of dairy cows. The Group continued to expand the scale of breeding business. During the Reporting Period, the Group has put into operation a new core breeding farm that meets international standard in Inner Mongolia with a designed capacity of 3,500 cattle and equipped with a world-class embryo production laboratory. The laboratory is committed to building an international first-class platform for research and development of dairy breeding techniques and germplasm innovation. Leveraging integrated application of ovum pick-up-in vitro fertilization technology and sex-sorted technology, it aggressively grows high-yield dairy cows and seed cows in a rapid manner and breeds test-tube high-yield dairy cows and reserve breeding bulls on a large-batch basis. In the next five years, the production capacity of breeding more than 13 tons of high-yield sex-sorted cows will reach 50,000, which will make it become the largest quality breed supply base in China, so as to solve the current shortage of high-yield dairy cows in China.

CORE OPERATIONAL INITIATIVES OF THE GROUP

Effective integration of merger and acquisition business

The Group completed the acquisition of 58.36% of the equity interest in SKX on January 8, 2020 and completed the acquisition of Fonterra China Farms Group on April 1, 2021. The acquisition of such businesses expanded the size of the Group's raw milk business. Meanwhile, it significantly improved the operational efficiency of the businesses acquired. Among them, the raw milk production volume of SKX increased by 7.5% from 714,541 tons for the year ended December 31, 2020 to 768,453 tons in the Reporting Period. The annualised average milk yield per milkable cow of SKX increased by 5.0% from 10.0 tons for the year ended December 31, 2020 to 10.5 tons in the Reporting Period. The annualised average milk yield per milkable cow of Fonterra China Farms Group increased by 10.8% from 9.3 tons for the year ended December 31, 2020 to 10.3 tons in the Reporting Period.

Strategic layout of and high standard investment in new dairy farms and feed mills

During the Reporting Period, the Group proactively and strategically constructed new dairy farms and feed mills. The number of dairy farms increased from 67 as of December 31, 2020 to 73 as of December 31, 2021, with business covering Gansu and Shanxi for the first time. We had commenced the construction of feed mills in Heilongjiang and Hebei as of December 31, 2021. All new dairy farms and feed mills were equipped with advanced equipment and facilities and introduced cutting-edge technologies, which laid a solid foundation for the Group's further improvement in scale and operational capacity both during the Reporting Period and in the future.

Product development and technological innovation

In terms of the raw milk business, in order to meet customers' growing demand for specialty raw milk, during the Reporting Period, the Group introduced new specialty raw milk, such as organic A2 milk containing A2 β -casein which is easier to digest and absorb, and selenium-rich milk which can supplement insufficient selenium intake in daily meals and improve immunity.

In terms of the feed business, leveraging its in-house research and development team, the Group launched several new high value-added products by upgrading and updating formulas, equipment and processes during the Reporting Period, such as exclusive nourishments for dairy farms with a target average milk yield of over 40kg, antibiotic-free upgraded feed for calves and biological feed. Targeting animal health, longevity and high yield and high efficiency, the premix production workshop put into use during the Reporting Period selected the manufacturing equipment with the same standard as infant milk powder, and adopted tertiary blending and smart early warning processes to produce stable and green premixes.

In terms of the breeding business, the Group assumed the role of implementing the program of “National Dairy Core Breeding Farm and Embryo Engineering Center” and newly built and put into use a core breeding farm that meets international standards in Inner Mongolia. SKX, jointly with Inner Mongolia University, continued to build the “Genetic Resource Bank and Information Platform of Animals in Mongolian Plateau”, mainly focusing on livestock. In April 2021, the research team led by Dr. Li Xihe of SKX’s research institute, the team of University of Hong Kong and the team of Inner Mongolia University jointly published the latest research results in novel bovine stem cells on the Proceedings of the National Academy of Sciences of the United States of America. The research achieved breakthroughs in induction of livestock stem cells, a world-class research difficulty, developed a new path for genome editing of herbivorous livestock and biological breeding of functional cows in the future and is a milestone achievement in the research on stem cells of herbivorous livestock.

Effective promotion of lean production management

The Group is the first dairy farming company in the world to adopt the TPM (Total Productive Maintenance) system to establish a sustainable operation and lean production management model with industrial characteristics. We cultivate talents in lean production management and roll out the standardized management model in every dairy farm and feed mill swiftly, thereby rapidly improving our organizational and operational capabilities. Through four year’s efforts, the average milk yield of our pilot farms has increased by nearly 5kg/cow/day, and 81.6% of the manufacturing facilities of our pilot feed company have achieved zero failure for 6 months with overall equipment effectiveness increased by approximately 7.8% and 66,000 tons of production capacity released per year. During the Reporting Period, three TPM pilot units of the Company won the TPM Excellence Award after three strict reviews. TPM system, as one of our core strategies, is applied in new projects in the early stage. We will continuously expand its application to empower our operational capabilities to maintain our leading position in the industry.

Digital management system empowering the Company’s growth of performance

The Group relies, to a large extent, on advanced intelligent management systems to control and manage its herds and farms. These systems cover all processes from information collection to activity monitoring and from breeding to milking. During the Reporting Period, the Group’s operation efficiency was significantly enhanced through self-developed intelligent farm management system, TMR precise feeding system, monitoring system for estrus in dairy cattle and full coverage video surveillance system. Through information systems and data and information management, we can not only macroscopically monitor the status of the herds in dairy farms but more importantly, we can accurately monitor the information of a particular cow to ensure the health of each cow.

The Group also provides comprehensive farming solutions for dairy farms in a rapid manner through big data collection and analysis on customers’ farming and with global expert resources and remote diagnosis.

Quality assurance

Quality control is one of the core values of the Group, which is vital to the business of the Group. The Group has established a comprehensive quality management system and structure and formed a quality management system with full staff, full processes and full dimensions. During the Reporting Period, the Group continued to conduct and has passed various food safety and quality related management system certifications: including the SQF (Safe Quality Food system), ISO9001 (the quality management system), ISO22000 (the food safety management system), ChinaGAP (China Good Agricultural Practice) and GMP (Good Manufacturing Practice). Additionally, the Group is the first comprehensive enterprise of dairy farming and feed processing in China that has passed the world-leading food safety and quality management system SQF certification.

The Group unswervingly adheres to the “three lines” to strictly control the product quality, i.e., the national standard line that meets the national statutory standards, the enterprise control line that is stricter than the national standard line and the internal control line that is stricter than the enterprise standard line. If any abnormality beyond the internal control line occurs, the production bases nationwide will report the items beyond the internal control line at the first time through the information system, and then the Group will thoroughly investigate the causes and timely eliminate hidden dangers, to ensure that its product quality meets the internal control line of the Group and is higher than the national standard.

During the Reporting Period, the Group achieved great achievements in quality management and quality improvement by quickly identifying known and unknown risks, establishing quality management information system, normalizing quality assurance control points (QACP) and introducing Six Sigma tools. During the Reporting Period, all the Group’s products have passed the sampling inspection of product quality conducted by national supervision and inspection authorities at all levels.

The Group assesses the quality of its raw milk primarily with four indicators commonly recognised in the industry, namely protein content, fat content, aerobic plate count and somatic cell count. Based on the data in the Reporting Period, our raw milk has average aerobic plate count and somatic cell count as low as 11,600 CFU/ml and 169,500 CFU/ml, respectively, much better than the European Union Standards, which is among the highest industry standards for raw milk safety in the world. In addition, our raw milk has high nutritional value, with average protein content and fat content as high as 3.3% and 3.9%, respectively, exceeding the standards set forth in China’s Premium Milk Initiative (中國國家優質乳工程) and the United States, Japan and the European Union standards.

BUILDING OF SUSTAINABLE DEVELOPMENT MODEL

The Group took the lead in publishing and implementing “Empowering the Revitalization of the Dairy Industry through Green Development – Youran Dairy’s ‘Carbon Neutralization’ Strategy” (《綠色發展驅動，助力奶業振興－優然牧業「碳中和」戰略》), and formulated the “four steps” strategy and eight core emission reduction measures. The Group is committed to the research and reserve of carbon emission reduction technologies. During the Reporting Period, the Group, together with the Institute of Animal Sciences of Chinese Academy of Agricultural Sciences, the Animal Husbandry Workstation of Ningxia Hui Autonomous Region, South China Institute of Environmental Sciences, the Institute of Soil Science and Inner Mongolia Agricultural University, etc., jointly studied or reserved the following carbon emission reduction projects: the Construction of Carbon Emission Monitoring and Early Warning Platform for Dairy Farming and the Demonstration Application of Low-carbon Emission Reduction Circular Breeding Mode (《奶牛養殖碳排放監測預警平台構建及低碳減排循環養殖模式示範應用》), the Research and Application of Comprehensive Technology of Carbon Neutralization and Carbon Emission Reduction in Large-scale Dairy Breeding (《規模化牧場養殖過程碳中和、碳減排綜合技術研究與應用》), the Key Technology Research on the Integration of Dairy Cow-Farmland System Planting and Breeding (《奶牛－農田系統種養一體化關鍵技術研究》) and the Effect of Additive Combination on Production of Methane in Dairy Cow’s Feed (《添加劑組合對奶牛飼料甲烷產生量的影響》).

The Group continues to put into practice the sustainable development strategy by taking advantage of the synergy between the Group’s business segments of dairy farming and forage grass plantation, and build ancillary forage grass plantation bases nearby in dairy farms, so as to realize the long-term sustainable development of the business through an “integrated farming” model. During the Reporting Period, the Group built an ancillary forage grass plantation base nearby dairy farms, covering a total area of nearly 200,000 mu. At the same time, the Group actively cooperated with silage suppliers, and the actual land area of an “integrated farming” model was nearly 1.11 million mu. During the Reporting Period, the Group implemented different manure treatment methods in combination with the regional characteristics of the North and South, so as to promote the comprehensive and harmless disposal of manure. During the Reporting Period, the total investment in environmental protection was RMB91.55 million. We continued to promote the reduction, resource utilization, harmless and ecological treatment of manure in the process of dairy farming.

The Group remains true to its original aspiration, willingly gives back to the society, and practices its social responsibilities: (i) The Group vigorously promotes rural development by setting up dairy farms in the surrounding areas of rural pastoral areas, which not only relieved local employment pressure, but also effectively reduced social problems such as left-behind children in the local areas as farmers and herdsmen can work close to their home. (ii) The Group gives full play to its industrial and technological advantages, and formulates specific poverty alleviation policies according to different regions. For instance, the Group entered into high-quality silage planting contracts with farmers near the dairy farms based on its farming needs. During the Reporting Period, the Group purchased around 2.3 million tons of silage to help farmers improve their planting income, implemented the policy of using silage to alleviate poverty, helped poor farmers plant silage with financial support; and taught farming techniques in the pastoral areas and gave calves to poverty-stricken households in surrounding areas, so as to further enhance the self-development ability of local farmers and herdsmen, thereby achieving mutual benefit and common development through working together. (iii) When the flooding battered Henan, the Group enthusiastically cared for the people in the disaster area by organizing staff to express condolences to the dairy farm in the disaster area, and offering basic daily necessities, food, disinfectants and other materials to the dairy farm in the disaster area.

PROSPECTS

In terms of consumption trend in 2021, the COVID-19 pandemic has greatly promoted the transformation of Chinese consumers' awareness, thus propelling the upgrading of the consumption of dairy products. Compared with the per capita consumption of dairy products in developed countries, China's per capita consumption still has the potential to rise. According to Frost & Sullivan, with the continuous concentration of the downstream dairy industry, the raw milk required for the consumption of dairy products by China's top five dairy manufacturers is expected to reach 36.4 million tons in 2025, representing 58.3% of the total raw milk required for China's dairy consumption. The CAGR from 2020 to 2025 is expected to reach 8.9%.

Under the trend of further scaling up of dairy farming, the Group continued to enhance the effective synergy between each business segment through close cooperation with downstream customers, promoted the digitalization and intelligence of production and management and improved the production capacity and average milk yield to provide consumers and customers with high quality raw milk and comprehensive ruminant farming solutions. Furthermore, the Group proposed a strategic goal of recreating a "Youran Dairy" by 2026, under which the number of dairy cows under the raw milk business segment will reach 800,000 heads, the scale of the feed business will double and the breeding business will expand into the embryo and fetal bovine business, to constantly create value for customers, shareholders and the society and empower the revitalization of China's dairy industry.

In order to achieve the strategic goal of recreating a "Youran Dairy" within five years and consolidate the Group's long-term advantages of "the most comprehensive industry chain, the largest scale, the best structure and the strongest operational capacity", the Group will continue to implement the following ten core strategic initiatives:

Firstly, we will promote the strategy of building core herds, and expedite herd improvement to increase average milk yield while reducing costs and improve the profitability of a single cow.

Secondly, we will build the Yuanxing brand and provide customers with comprehensive solutions with leading product quality and technical services to improve the market share of ruminant feed.

Thirdly, we will promote the "integrated farming" model and the virtuous cycle of manure stored up for disposal – land improvement – high-quality forage grass supply to realize environmental friendliness.

Fourthly, we will strengthen the production technology and quality of domestically-produced frozen semen, embryos and fetal bovine to cultivate excellent breeding bulls and deepen embryo business, thereby empowering the national strategy of germplasm resources security.

Fifthly, we will develop a talent supply chain system with internal training as the mainstay and external introduction as the supplement and become the best employer, to attract, train, develop and retain talents.

Sixthly, we will build a highly competitive supply chain system through "procurement service center, procurement cost management center and value creation center".

Seventhly, we will establish a research and development center and build an efficient innovative research and development platform to constantly optimize the product structure, improve the competition threshold of the industry, and ensure the long-term competitiveness of the Company.

Eighthly, we will set a benchmark for the industry in lean production management, standardize lean production management, and replicate and introduce it to the Company and its customers to continuously improve profitability of the industry.

Ninthly, we will promote the implementation of the dual carbon policy of “value-driven, technology-led, efficient utilization and green development” to facilitate the country take the lead in realizing the national “3060 dual carbon” goal.

Tenthly, we will build a digital management platform and cultivate our digital core competitiveness to realize the digitalization of production and operation, management decision making and customer value creation process management.

FINANCIAL REVIEW

Revenue

Our revenue increased by 30.3% from RMB11,781 million for the year ended December 31, 2020 to RMB15,346 million for the Reporting Period.

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

	For the year ended December 31,	
	2021	2020
	<i>RMB'000</i>	
Raw milk	9,537,814	6,994,592
Comprehensive ruminant farming solutions	5,808,353	4,786,603
Total	<u>15,346,167</u>	<u>11,781,195</u>

The increase in our total revenue was primarily due to the growth of raw milk business and comprehensive ruminant farming solutions business. Our revenue generated from raw milk increased by 36.4% from RMB6,995 million for the year ended December 31, 2020 to RMB9,538 million for the Reporting Period, which was mainly due to the acquisition of Fonterra China Farms Group and the steady increase in raw milk sales and milk prices. Our revenue generated from comprehensive ruminant farming solutions increased by 21.3% from RMB4,787 million for the year ended December 31, 2020 to RMB5,808 million for the Reporting Period, which was mainly due to the growth of feed business and ruminant farming products marketplace business.

Cost of sales

Our cost of sales increased by 29.7% from RMB11,049 million for the year ended December 31, 2020 to RMB14,333 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,	
	2021	2020
	<i>RMB'000</i>	
Raw milk	5,585,284	4,000,063
Comprehensive ruminant farming solutions	5,066,404	4,177,940
Total	<u>10,651,688</u>	<u>8,178,003</u>

The increase was primarily due to the acquisition of Fonterra China Farms Group, and the growth of raw milk business and ruminant feed solutions business.

Cost of sales for raw milk business before raw milk fair value adjustments increased by 39.6% from RMB4,000 million for the year ended December 31, 2020 to RMB5,585 million for the Reporting Period, which was primarily due to the acquisition of Fonterra China Farms Group, the growth of raw milk business, new dairy farms put into production, the increase in the number of dairy cows and the increase in raw material prices.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments increased by 21.3% from RMB4,178 million for the year ended December 31, 2020 to RMB5,066 million for the Reporting Period, which was primarily due to the growth of concentrated feed and ruminant farming products marketplace businesses.

Fair value adjustments for agricultural produce included in cost of sales increased by 28.2% from RMB2,871 million for the year ended December 31, 2020 to RMB3,682 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 RMB2,871 million for the year ended December 31, 2020 and RMB3,682 million for the Reporting Period, respectively. The change reflects the adjustment to the fair value of agricultural produce. Gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest was offset against the agricultural produce fair value adjustments included in cost of sales.

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB3,603 million for the year ended December 31, 2020, representing a gross profit margin of 30.6%, and a gross profit of RMB4,694 million for the Reporting Period, representing a gross profit margin of 30.6%.

The following table sets forth a breakdown of our gross profit and gross profit margin by raw milk business and comprehensive ruminant farming solutions business for the periods indicated:

	For the year ended December 31,		2020	
	2021			
	<i>RMB'000 (except for percentage)</i>			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Gross profit				
Raw milk	3,952,530	41.4%	2,994,529	42.8%
Comprehensive ruminant farming solutions	741,949	12.8%	608,663	12.7%
Total	<u>4,694,479</u>	<u>30.6%</u>	<u>3,603,192</u>	<u>30.6%</u>

The flat gross profit margin was primarily due to the increase in raw material price which was offset by the increase in milk price and the increase in the gross profit of comprehensive ruminant farming solutions.

The gross profit of the raw milk business increased from RMB2,995 million for the year ended December 31, 2020 to RMB3,953 million for the Reporting Period. The gross profit margin of the raw milk business decreased from 42.8% for the year ended December 31, 2020 to 41.4% for the Reporting Period, mainly because of the acquisition of Fonterra China Farms Group and the increase in raw material price.

The gross profit of the comprehensive ruminant farming solutions business increased from RMB609 million for the year ended December 31, 2020 to RMB742 million for the Reporting Period. The gross profit margin of the comprehensive ruminant farming solutions business increased from 12.7% for the year ended December 31, 2020 to 12.8% for the Reporting Period.

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 decreased from the fair value loss of RMB414 million for the year ended December 31, 2020 to the fair value loss of RMB407 million for the Reporting Period, which was primarily due to an increase in the valuation of dairy cows as a result of the improvement of the management level of SKX's dairy farms and Fonterra China Farms Group and the increase in market price of reserve cows.

Other income

Our other income increased by 97.4% from RMB77 million for the year ended December 31, 2020 to RMB152 million for the Reporting Period, which was primarily due to (i) government grants issued with deferred income increased from RMB26 million for the year ended December 31, 2020 to RMB58 million for the Reporting Period; (ii) incentive subsidies increased from RMB18 million for the year ended December 31, 2020 to RMB40 million for the Reporting Period; and (iii) bank interest income increased from RMB13 million for the year ended December 31, 2020 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 72.4% from RMB45 million for the year ended December 31, 2020 to RMB12 million for the Reporting Period, which was primarily due to the recovery of receivables that have been provided for impairment from a few customers.

Other gains and losses

Our other gains and losses decreased by 3% from a loss of RMB54 million for the year ended December 31, 2020 to a loss of RMB53 million for the Reporting Period, which was primarily due to the losses incurred by the recognition of litigation cases of minority shareholders of SKX.

Fair value loss on convertible notes

The Group recorded fair value loss on convertible notes of RMB133 million for the Reporting Period due to the underlying features of the outstanding convertible notes.

Selling and distribution expenses

Our selling and distribution expenses increased by 22.9% from RMB453 million for the year ended December 31, 2020 to RMB557 million for the Reporting Period, which was primarily due to the increase in the sales volume and the increase in loading, unloading and transportation costs. The proportion of selling and distribution expenses in our revenue decreased from 3.8% for the year ended December 31, 2020 to 3.6% for the Reporting Period.

Administrative expenses

Our administrative expenses increased by 12.2% from RMB745 million for the year ended December 31, 2020 to RMB835 million for the Reporting Period, which was primarily due to the acquisition of Fonterra China Farms Group and the increase in maintenance and renovation expenses and staff salaries. The proportion of administrative expenses in our revenue decreased from 6.3% for the year ended December 31, 2020 to 5.4% for the Reporting Period.

Other expenses

Our other expenses decreased by 83.3% from RMB20 million for the year ended December 31, 2020 to RMB3 million for the Reporting Period, which was primarily due to the intermediary fee of RMB12 million incurred in the acquisition of Fonterra China Farms Group in 2020 and the estimated litigation compensation in relation to a SKX litigation of RMB5 million, which was not incurred during the Reporting Period.

Finance costs

Our finance costs increased by 136.4% from RMB310 million for the year ended December 31, 2020 to RMB732 million for the Reporting Period, which was primarily due to the increased interests recognised for convertible notes at amortised cost and increased bank borrowings.

Profit before tax

As a result of the foregoing, we had a profit before tax of RMB1,594 million for the year ended December 31, 2020, compared with a profit before tax of RMB2,095 million for the Reporting Period.

Income tax expense

We recorded a 37.8% increase in income tax expense from RMB54 million for the year ended December 31, 2020 to RMB74 million for the Reporting Period, which was primarily attributable to the increase in taxable income of the Group.

Profit for the Reporting Period

As a result of the foregoing, we generated a profit of RMB1,541 million for the year ended December 31, 2020 and generated a profit of RMB2,021 million for the Reporting Period, primarily due to the advantages of the effective synergy between the Group's entire upstream industry chain in the dairy industry and various business segments that led to the rapid growth of the overall business scale of the Group, which is reflected in (i) the increase in sales volume and unit price of raw milk; (ii) the completion of the acquisition of Fonterra China Farms Group on April 1, 2021; and (iii) the increase in revenue from our comprehensive ruminant farming solutions business compared with the same period in 2020.

Adjusted profit attributable to owners of the Company

To supplement our consolidated financial information which are presented in accordance with IFRSs, we also use adjusted profit attributable to owners of the Company which is not required by, or presented in accordance with, IFRSs. We believe that this non-IFRSs measure provides useful information to investors and others in understanding and evaluating our consolidated financial results in the same manner as our management. Adjusted profit represents profit attributable to owners of the Company, after adjusting (i) the difference between the fair value loss on convertible notes and the total interest of 4% of the nominal cash interest rate of RMB103,696,000 for the year ended December 31, 2021 (2020: RMB(7,007,000)); (ii) the difference between the effective interest of convertible notes recognised at amortised cost and the interest calculated at 4% of the nominal cash interest rate of RMB291,799,000 for the year ended December 31, 2021 (2020: Nil); (iii) the listing expenses of RMB17,848,000 for the year ended December 31, 2021 (2020: RMB34,365,000); and (iv) loss on arbitration regarding the adjustments made to the consideration for acquisition of SKX of RMB69,041,000 for the year ended December 31, 2021 (2020: Nil). The use of this non-IFRSs measure has 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 Company's presentation of such adjusted figure may not be comparable to a similar measure presented by other companies. However, the Company believes that this measure is a reflection of the Group's normal operating results by adjusting for the potential impacts of certain non-recurring items, and thus facilitates comparisons of operating performance from period to period and company to company to the extent applicable.

The following table reconciles adjusted profit attributable to owners of the Company from the most directly comparable financial measure calculated and presented in accordance with IFRSs (profit attributable to owners of the Company).

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Profit attributable to owners of the Company	1,558,016	1,340,735
Add: the difference between the fair value loss on convertible notes and the interest calculated at 4% of the nominal interest rate	103,696	(7,007)
Add: the difference between the interest of convertible notes recognised at amortised cost and the interest calculated at 4% of the nominal interest rate	291,799	–
Add: the listing expenses	17,848	34,365
Add: loss on arbitration regarding the adjustments made to the consideration for acquisition of SKX	69,041	–
	<hr/>	<hr/>
Non-IFRSs measure: Adjusted profit attributable to owners of the Company	2,040,400	1,368,093
	<hr/> <hr/>	<hr/> <hr/>

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 of the Company (the “Global Offering”).

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

	For the Year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	2,266,010	1,707,871
Net cash used in investing activities	(8,696,940)	(4,752,812)
Net cash generated from financing activities	5,424,302	5,093,578
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,006,628)	2,048,637
Effects of foreign exchange rate changes	14,935	–
Cash and cash equivalents at the beginning of the year	2,619,113	570,476
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	1,627,420	2,619,113
	<hr/> <hr/>	<hr/> <hr/>

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB2,266 million. For the year ended December 31, 2020, net cash generated from operating activities was RMB1,708 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities was RMB8,697 million, which was mainly attributable to (i) payments for biological assets of RMB3,773 million, (ii) payments for acquisition of subsidiaries of RMB2,379 million, and (iii) payments for property, plant and equipment of RMB3,536 million, partially offset by the proceeds from the disposal of biological assets of RMB1,168 million.

For the year ended December 31, 2020, net cash used in investing activities was RMB4,753 million, which was mainly attributable to (i) payments for biological assets of RMB2,329 million, (ii) payments for acquisition of subsidiaries of RMB1,936 million, and (iii) payments for property, plant and equipment of RMB1,340 million, partially offset by the proceeds from the disposal of biological assets of RMB975 million.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities was RMB5,424 million, which was mainly attributable to new bank and other borrowings of RMB14,987 million, partially offset by repayment of bank and other borrowings of RMB11,734 million.

For the year ended December 31, 2020, net cash generated from financing activities was RMB5,094 million, which was mainly attributable to (i) new bank and other borrowings of RMB7,250 million; and (ii) the issuance of convertible bonds of RMB3,051 million, partially offset by repayment of bank and other borrowings of RMB5,886 million.

Net Gearing Ratio

As of December 31, 2021, the Group's net gearing ratio was 68.6%, which was calculated as net debt (which equalled 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%.

Significant Investments Held

Save as disclosed in this announcement, 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, 2021) during the Reporting Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, as of December 31, 2021, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

On April 1, 2021, the Group completed the acquisition of 100% equity interest in Fonterra China Farms Group including Tangshan Youran Dairy Co., Ltd. (formerly known as Fonterra (Yutian) Dairy Farm Co., Ltd.) and Shanxi Youran Tianhe Dairy Co., Ltd. (formerly known as Fonterra (Ying) Dairy Farm Co., Ltd.) at a consideration of RMB2,530,566,000 (subject to final completion audit). Save as disclosed above, as of December 31, 2021, the Group did not have any other material acquisitions and/or disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations by function as of December 31, 2021.

Function	Number of Staff	% of Total
Management personnel	1,211	11.6%
Administrative personnel ¹	1,379	13.2%
Technicians	2,316	22.2%
Salespersons	287	2.8%
Skilled workers ²	4,214	40.5%
Housekeepers ³	1,007	9.7%
Total	10,414	100%

Notes:

- (1) Administrative personnel primarily include staff who are responsible for human resources, finance and other corporate administrative functions.
- (2) Skilled workers primarily include electricians, maintenance workers, vehicle drivers in connection with our dairy farming activities and chefs that support our daily operations.
- (3) Housekeepers primarily include cleaning operatives.

Our success depends on our ability to attract, retain and motivate talented employees. To this end, as part of our human resource strategy, we are committed to building the most competitive talent team in our industry. In addition to offering employees competitive salaries, performance-based bonuses and other incentives, we also cultivate elite employees through a variety of channels such as job rotation, online classes, offline professional courses, talent cooperation and overseas study on the basis of the Group's well-established talent cultivating system. Moreover, we also provide our employees with a multi-dimensional and comprehensive promotion path. We have deepened our cooperation with The Ohio State University in the United States. Every year we select and dispatch outstanding employees to top-level, large-scale dairy farms in the United States for advanced studies, which we believe has contributed to the overall improvement of our dairy farm management and productivity. Meanwhile, the Group provides regular training and evaluation to employees to improve their performance. Therefore, we can attract and retain talented employees and maintain a stable core management and technical team.

The total remuneration expenses, excluding share-based payments expenses and retirement benefit scheme contributions, for the Reporting Period were RMB901 million, as compared to RMB834 million for the year ended December 31, 2020, representing a year-on-year increase of 8%.

Indebtedness

	As of December 31,	
	2021	2020
	<i>RMB'000</i>	
	(audited)	
Bank borrowings	<u>9,456,114</u>	<u>6,167,130</u>
Unsecured	7,490,367	4,862,089
Secured	<u>1,965,747</u>	<u>1,305,041</u>
Other borrowings	<u>–</u>	<u>29,003</u>
	9,456,114	6,196,133
The carrying amounts of the above borrowings are repayable		
Within one year	5,412,175	4,224,527
More than one year but within two years	1,944,053	939,903
More than two years but within five years	1,667,913	933,648
More than five years	<u>431,973</u>	<u>98,055</u>
	9,456,114	6,196,133
Less: amounts due within one year shown under current liabilities	<u>(5,412,175)</u>	<u>(4,224,527)</u>
Amount shown under non-current liabilities	<u>4,043,939</u>	<u>1,971,606</u>
Lease liabilities	<u>1,317,399</u>	<u>967,489</u>
Less: amount due for settlement within 12 months shown under current liabilities	<u>(51,009)</u>	<u>(38,684)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>1,266,390</u>	<u>928,805</u>
Other liabilities at amortised cost	20,845	27,106
Portion classified under current liabilities	<u>(6,593)</u>	<u>(6,261)</u>
Portion classified under non-current liabilities	<u>14,252</u>	<u>20,845</u>

Contingent Liabilities

Apart from ongoing litigation for which provision has been made, at the end of the Reporting Period, the Group had no significant contingent liability.

Capital Commitment

As at December 31, 2021, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB2,506 million (as at December 31, 2020: RMB1,682 million), representing an increase compared with that of December 31, 2020, which was mainly due to the purchase of assets for new construction by the Group.

Significant Events after the Reporting Period

On March 2, 2022, the Company, YeGu Investment Company Limited and Mr. Zhang Jianshe entered into a share transfer agreement, pursuant to which the Company conditionally agreed to purchase, and YeGu Investment Company Limited conditionally agreed to sell, 707,878,000 ordinary shares of Wholesome Harvest Limited for a consideration of HK\$1,206,380,000. Wholesome Harvest Limited wholly owns China ZhongDi Dairy Holdings Company Limited, which operates a total of nine dairy farms in China with approximately 75,000 dairy cows in China. The transaction would enable the Group to invest in additional dairy farms and to explore potential collaboration opportunities in the future, which will be favorable for the Group's long-term development. For further details, please refer to the announcements of the Company dated March 2, 2022, March 23, 2022 and the circular of the Company dated March 4, 2022.

Save as disclosed in this announcement, no significant events affecting the Group have occurred since the end of the Reporting Period and up to the date of this announcement.

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.

We are exposed to foreign currency risk primarily with respect to the changes of exchange rate of the USD against the RMB, which is the functional currency of most of the Group's operating entities. General subsidiaries of the Company have foreign currency bank balances which expose the Group to foreign currency risk.

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 arise.

Pledge of Assets

As at December 31, 2021, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 33.2% shares of SKX held by a wholly-owned subsidiary of the Company for a loan of the Group, biological assets in the carrying amount of RMB1,111 million and pledged bank deposits in the carrying amount of RMB30 million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on August 21, 2020 with limited liability, and the shares of the Company (the “**Shares**”) were listed on the Main Board of the Hong Kong Stock Exchange on June 18, 2021 (the “**Listing Date**”).

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 of the Company (the “**Shareholders**”). The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Code provision C.5.1 of the Corporate Governance Code recommends, but does not require, that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. The Company recently listed on the Hong Kong Stock Exchange on June 18, 2021, from which date the Corporate Governance Code contained in Appendix 14 to the Listing Rules has been applicable to the Company. Since the Listing Date and until the end of the Reporting Period, the Company held three Board meetings. Nevertheless, the Board has been in regular communication with one another and, going forward, will continue to meet regularly to update themselves on the Company’s affairs.

Save as disclosed above, the Company has complied with the code provisions set out in the Corporate Governance Code since the Listing Date and until the end of the Reporting Period. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules 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 for the Reporting Period.

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 control system of the Group. The Audit Committee comprises three members, namely Ms. Xie Xiaoyan (謝曉燕), Mr. Yao Feng (姚峰) and Mr. Qiu Zhongwei (邱中偉), with Ms. Xie Xiaoyan (謝曉燕) (being our independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise) as chairperson of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period and discussed matters with respect to the accounting policies and practices as well as internal control adopted by the Company with senior management members and the Auditor of the Company.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a nomination committee and a remuneration committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

The Company's annual general meeting (the "AGM") will be held on Friday, May 27, 2022. The register of members of the Company will be closed from Tuesday, May 24, 2022 to Friday, May 27, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, May 23, 2022.

USE OF PROCEEDS

The Shares were listed on the Main Board of the Hong Kong Stock Exchange on June 18, 2021. The net proceeds from the Global Offering was approximately HK\$3,270 million (approximately RMB2,711 million), after deducting the underwriting commissions and offering expenses paid or payable, which will be gradually utilised for the following purposes as set out in the prospectus of the Company dated June 7, 2021 (the "Prospectus"):

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at the date of this announcement, the Group has utilised approximately RMB1,131 million out of the net proceeds for the investment in construction projects, including dairy farms under construction, new dairy farms and new feed mills; approximately RMB407 million out of the net proceeds for purchasing dairy cows for dairy farms and approximately RMB271 million out of the net proceeds for working capital and general corporate purposes, which was used as intended.

The Company expects to gradually apply the remaining unutilised net proceeds in the manner set out below:

- RMB902 million for the investment in construction projects, including dairy farms under construction, new dairy farms and new feed mills by December 31, 2022.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.yourandairy.com, respectively. The annual report of the Group for the Reporting Period will be published on the aforesaid websites of the Hong Kong Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
China Youran Dairy Group Limited
Zhang Yujun
Chairman and Non-executive Director

Hong Kong, March 30, 2022

Note: Unless otherwise stated in this announcement, the exchange rate of HK\$1.00 to RMB0.82893, where applicable, was adopted for illustration purpose only, and should not be construed as representations that any amount has been or could be exchanged at such rate or any other rate.

As at the date of this announcement, the executive Directors are Mr. Zhang Xiaodong and Mr. Dong Jiping, the non-executive Directors are Mr. Zhang Yujun, Mr. Xu Jun, Mr. Xu, Zhan Kevin and Mr. Qiu Zhongwei, and the independent non-executive Directors are Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong.