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MODERN FARMING
现代牧业

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1117)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

HIGHLIGHTS:

With the corporate vision of “establishing a whole dairy value chain, innovating with digital intelligence, and becoming a global dairy farming leader”, while focusing on the core business of raw milk and driven by digitalization and ecological approaches, the Group’s businesses cover the entire dairy value chain of the dairy industry’s upstream sectors, including breeding, forage plantation, feeds, dairy farming and dairy value chain internet trading platform. With an excellent management team, leading scientific research and innovation, highly digitized value chain and efficient cost control, Modern Dairy has achieved organic synergy between its core raw milk business and new value chain businesses, which has empowered the overall business of our Group to develop stably and robustly.

- **Strong Growth in Core Business:** Raw milk production, being the core business of the Group, has performed solidly. During the year, both the average annualised milk yield (“AMY”) per milking cow and the total milk yield have reached record highs, and there has also been a significant increase in the herd size and sales revenue from raw milk. As of 31 December 2023, the Group had invested in and operated 42 dairy farming companies in mainland China, and the number of dairy cows reached 450,562 heads, representing a yoy increase of 11.2%. The AMY per milkable dairy cow reached an industry-leading level of 12.6 tons as of 31 December 2023, representing a yoy increase of 3.3%, and is expected to grow continuously. Total raw milk sold reached 2.55 million tons during the year, representing a yoy increase of 9.4%, with sales revenue amounting to RMB10,264 million, representing a yoy increase of 3.2%.

- Strong Development of New Business:** Along with last year’s successful acquisition of Aiyangniu (a digital platform company) and development of new businesses including Liangyuan Technology, Modern Feed, Modern Grassland and Meng Yuan Genetics etc., the Group’s businesses have expanded to the operation of value chain internet trading platform, forage and feed production and premium cow semen sectors. These new businesses collectively contributed sales revenue of RMB3,195 million for the Group during the year, representing a yoy increase of 35.9%. These new businesses have brought new sources of profit to the Group, and strengthened the vertical layout and security of industry value chains, while synergizing with the core business to build an industry-leading digital technology moat.
- Initial Results of Fund Controls:** During the year, the Group persistently strengthened its internal cost reduction and efficiency improvement control measures and actively explored external upstream and downstream synergies to cope with the operational pressure from the industry. Moreover, the Group timely adjusted its working capital management strategy by reducing investment expenses, and recorded net free cash inflow of approximately RMB1,568 million (2022: net outflow of approximately RMB2,414 million), representing a yoy turnaround and effectively helping the Group control the scale of interest-bearing borrowings. As of 31 December 2023, the Group’s interest-bearing borrowings amounted to RMB11,497 million, a year-on-year decrease of 7.8%.
- Stable Rating Outlook:** During the year, Modern Dairy was again assigned a “BBB” investment grade credit rating by Standard & Poor’s with a stable outlook, making it the first Chinese dairy farming enterprise in the People’s Republic of China (“China” or “PRC”), to receive such a rating, which fully demonstrates the capital market’s confidence in the Company’s performance in terms of sustained growth and financial stability. The credit rating affirms the international credit rating agencies’ recognition of the Company’s and China’s large-scale dairy farming model, and also facilitates the Company to secure more competitive financing terms.
- Excellent Product Quality:** Modern Dairy abides by the mission of “raising healthy cows, safeguarding every drop of good milk”. From forage grass planting, cows breeding to milk processing, the Group utilises digital intelligence to carry out 24/7 all weather monitoring of each link in the whole dairy value chain to ensure the quality and safety of raw milk. As a result, the Group’s farms were certified as the “High Quality Milk Project”. Our branded pure milk has been awarded the Gold Prize of the Monde Selection for ten consecutive years. In response to customer demands, Modern Dairy launched a speciality milk track and arranged A2 milk exclusive farms to provide more high-quality and safe milk products for consumers.
- Excellent ESG Performance:** ESG is an integral part of our core competitiveness. We keep focusing on the dual synergy of “ecological industrialisation • industrial ecologicalisation” development, which integrated economic development and environmental conservation to the Group’s business. During the year, the Group has been awarded the “Green Development Typical Case” by the China Dairy Industry Association. The Group’s domestically pioneered medium-temperature anaerobic fermentation and waste treatment system is an excellent case of low-carbon emission and has been successfully included in the report of the United Nations Global Compact. Our pioneering practice in resource utilisation was also selected for inclusion in the COP28 “2023 Corporate Climate Action Case Studies”.

(All amounts in Renminbi (“RMB”) millions unless otherwise stated)

| FINANCIAL DATA | 2023 | 2022 | Change |
|--|--------------------|--------------------|---------------------|
| Revenue | 13,458 | 12,295 | +9.5% |
| Cash EBITDA <i>(Note 1)</i> | 2,496 | 2,740 | -8.9% |
| Profit for the Year | 185 | 580 | -68.1% |
| Net Cash from Operating Activities | 5,449 | 1,577 | +245.5% |
| Net Free Cash Inflow (Outflow) <i>(Note 2)</i> | 1,568 | (2,414) | N/A |
| Net Asset Value per Share <i>(RMB)</i> <i>(Note 3)</i> | 1.42 | 1.42 | – |
| Earning per Share (Basic) <i>(RMB cents)</i> | 2.23 | 7.16 | -68.9% |
| KEY OPERATING DATA | | | |
| Total Raw Milk Sold <i>(ten thousand tons)</i> | 255 | 233 | +9.4% |
| Herd Size <i>(heads)</i> | 450,562 | 405,358 | +11.2% |
| Average Milk Yield <i>(tonnes/head • year)</i> | <u>12.6</u> | <u>12.2</u> | <u>+3.3%</u> |

DIVIDEND

The Board recommended the payment of a final dividend of RMB0.0045 per ordinary share (2022: RMB0.0142).

Notes:

- (1) Cash EBITDA is defined as earnings before finance costs and tax having added back: i) depreciation and amortisation charged to profit and loss; ii) other gains and losses, net; iii) impairment losses under expected credit loss model, net of reversal; and iv) loss arising from changes in fair value less costs to sell of dairy cows.
- (2) Free cash flow is defined as the net cash generated from operating activities less the net cash outflow from investing activities.
- (3) Equity attributable to owners of the Company at the year end divided by the number of ordinary shares in issue as at 31 December 2023 and 31 December 2022, respectively.

The People’s Republic of China, unless otherwise stated, excludes the special administrative regions of Hong Kong and Macau, and Taiwan.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Modern Dairy Holdings Ltd. (the “**Company**” or “**Modern Dairy**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**year**”), together with comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|---|--------------|-------------------------------|------------------|
| Revenue | 5 | 13,458,223 | 12,295,091 |
| Cost of sales | 8 | (13,008,256) | (11,915,660) |
| Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest | | <u>2,678,046</u> | <u>2,887,548</u> |
| Gross profit | | 3,128,013 | 3,266,979 |
| Loss arising from changes in fair value less costs to sell of dairy cows | | (1,280,373) | (988,215) |
| Other income | 7 | 221,126 | 201,559 |
| Impairment losses under expected credit loss (“ ECL ”) model, net of reversal | 10 | (17,278) | (1,995) |
| Other gains and losses, net | 8 | 5,173 | (376,662) |
| Selling and distribution costs | | (377,784) | (369,887) |
| Administrative expenses | | (852,386) | (730,203) |
| Other expenses | | (72,309) | (42,386) |
| Share of results of associates and a joint venture | | <u>(3,939)</u> | <u>15,410</u> |
| Profit before finance costs and tax | 8 | 750,243 | 974,600 |
| Finance costs | 9 | <u>(521,247)</u> | <u>(379,559)</u> |
| Profit before tax | | 228,996 | 595,041 |
| Income tax expense | 11 | <u>(43,562)</u> | <u>(14,775)</u> |
| Profit for the year | | <u>185,434</u> | <u>580,266</u> |

| | <i>Note</i> | 2023 RMB'000 | 2022 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Other comprehensive (expense) income: | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”) | | (48,887) | (14,573) |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>4,839</u> | <u>21,332</u> |
| Other comprehensive (expense) income for the year, net of income tax | | <u>(44,048)</u> | <u>6,759</u> |
| Total comprehensive income for the year | | <u>141,386</u> | <u>587,025</u> |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 175,159 | 562,497 |
| Non-controlling interests | | <u>10,275</u> | <u>17,769</u> |
| | | <u>185,434</u> | <u>580,266</u> |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | 131,091 | 569,067 |
| Non-controlling interests | | <u>10,295</u> | <u>17,958</u> |
| | | <u>141,386</u> | <u>587,025</u> |
| Earnings per share (RMB) | <i>13</i> | | |
| Basic | | 2.23 cents | 7.16 cents |
| Diluted | | <u>2.21 cents</u> | <u>7.13 cents</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

| | <i>Notes</i> | 2023 RMB'000 | 2022 RMB'000 |
|---|--------------|-------------------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 6,264,934 | 5,702,907 |
| Right-of-use assets | | 2,198,546 | 1,256,949 |
| Goodwill | | 2,417,915 | 2,406,658 |
| Other intangible assets | | 40,866 | 45,258 |
| Interests in associates and a joint venture | | 771,047 | 458,917 |
| Equity instruments at FVTOCI | | 57,342 | 106,229 |
| Biological assets | | 11,927,977 | 10,631,171 |
| Prepayments | 14 | 12,914 | 29,936 |
| Derivative financial instruments | | 117,991 | 19,154 |
| Pledged bank deposits | | 32,089 | – |
| Bank balances | | 677,843 | 236,281 |
| Deferred tax assets | | 6,677 | 827 |
| | | <u>24,526,141</u> | <u>20,894,287</u> |
| CURRENT ASSETS | | | |
| Inventories | | 2,940,968 | 3,379,346 |
| Trade and other receivables and prepayments | 14 | 1,935,932 | 2,183,907 |
| Derivative financial instruments | | 460 | 22,202 |
| Pledged bank deposits | | 9,913 | 187,339 |
| Bank balances | | 1,963,627 | 2,125,628 |
| | | <u>6,850,900</u> | 7,898,422 |
| Assets classified as held for sale | | 17,203 | 28,644 |
| | | <u>6,868,103</u> | <u>7,927,066</u> |
| CURRENT LIABILITIES | | | |
| Derivative financial instruments | | 3,017 | 14,388 |
| Trade and other payables | 15 | 5,534,188 | 3,288,701 |
| Tax payable | | 42,309 | 5,004 |
| Bank borrowings | | 2,206,484 | 4,831,164 |
| Other borrowings | | 353,251 | 22,704 |
| Short term debenture | | – | 100,522 |
| Long term bonds | | 35,536 | 34,944 |
| Lease liabilities | | 238,925 | 111,392 |
| Other liabilities | | 9,856 | 4,573 |
| Contract liabilities | | 26,648 | 43,204 |
| Deferred income | | 12,570 | 11,563 |
| | | <u>8,462,784</u> | <u>8,468,159</u> |
| NET CURRENT LIABILITIES | | <u>(1,594,681)</u> | <u>(541,093)</u> |

| | <i>Note</i> | 2023 RMB'000 | 2022 RMB'000 |
|--|-------------|-------------------------------|--------------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>22,931,460</u> | <u>20,353,194</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 675,869 | 675,869 |
| Reserves | | <u>10,525,116</u> | <u>10,588,248</u> |
| Equity attributable to owners of the Company | | 11,200,985 | 11,264,117 |
| Non-controlling interests | | <u>641,779</u> | <u>379,183</u> |
| TOTAL EQUITY | | <u>11,842,764</u> | <u>11,643,300</u> |
| NON-CURRENT LIABILITIES | | | |
| Derivative financial instruments | | 17,342 | 43,646 |
| Other payables | <i>15</i> | 5,201 | – |
| Bank borrowings | | 5,183,959 | 3,752,421 |
| Other borrowings | | 193,974 | 271,115 |
| Long term bonds | | 3,523,467 | 3,458,072 |
| Lease liabilities | | 1,781,170 | 956,653 |
| Other liabilities | | 160,531 | – |
| Deferred tax liabilities | | 13,389 | 22,454 |
| Deferred income | | <u>209,663</u> | <u>205,533</u> |
| | | <u>11,088,696</u> | <u>8,709,894</u> |
| | | <u>22,931,460</u> | <u>20,353,194</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the “**Company**”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KYI-1104, Cayman Islands.

As at 31 December 2023, China Mengniu Dairy Co., Ltd. (“**Mengniu**”) and its wholly-owned subsidiary together owned 56.36% of the issued share capital of the Company. Mengniu and its subsidiaries are hereinafter collectively referred to as “**Mengniu Group**”.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in production and sales of milk, trading, production and sales of feeds. The Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

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

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

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

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

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

3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. 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.

In preparation of the consolidated financial statements for the year ended 31 December 2023, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB1,594,681,000 (2022: RMB541,093,000). Taking into account, (i) the available credit facilities of approximately RMB6,989,029,000 which remain unutilised as at 31 December 2023 and of which, an amount of RMB1,000,000,000 is from Inner Mongolia Mengniu Dairy (Group) Company Limited ("**Inner Mongolia Mengniu**"), a subsidiary of Mengniu, and the remaining facilities are from licensed banks; (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which are measured at fair value less costs to sell and certain financial instruments, which are measured at fair values at the end of each reporting period.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Fair value measurements of biological assets

The Group's biological assets are measured at fair value less costs to sell at the end of the reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For heifers and calves, the fair value is determined based on the 14 months old heifers' local market selling prices and adjusted by estimated feeding costs for heifers and calves older or younger than 14 months. For milkable cows, the fair value is determined by using the multi-period excess earning method with key inputs including the discount rate, the estimated feed costs per kilogram ("kg") of raw milk, estimated average daily milk yield at each lactation cycle and the estimated future market price of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets significantly. The carrying amount of the Group's biological assets as at 31 December 2023 was RMB11,927,977,000(2022: RMB10,631,171,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGUs to which goodwill has been allocated, which is the higher of its value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable pre-tax discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or when there is a downward revision to the estimated future cash flows due to changes in facts and circumstances, further impairment loss may arise.

As at 31 December 2023, the carrying amount of goodwill is RMB2,417,915,000 (2022: RMB2,406,658,000), net of accumulated impairment loss of RMB213,429,000 (2022: RMB213,429,000).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

| | | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|-----------------------------|------------------------|------------------------|
| Segments | Types of goods or service | | |
| Raw milk business | Raw milk | 10,263,657 | 9,945,090 |
| Offline feed business | Feeds | 2,537,792 | 1,851,325 |
| Digital intelligence platform business | Feeds and farm supplies | 605,278 | 498,676 |
| Digital intelligence platform business | Platform and other services | 51,496 | – |
| | | <u>13,458,223</u> | <u>12,295,091</u> |
| Timing of revenue recognition | | | |
| At a point in time | | 13,436,007 | 12,295,091 |
| Overtime | | 22,216 | – |
| | | <u>13,458,223</u> | <u>12,295,091</u> |
| Geographical markets | | | |
| Mainland China | | 13,173,701 | 11,944,167 |
| Other countries | | 284,522 | 350,924 |
| | | <u>13,458,223</u> | <u>12,295,091</u> |

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

For the sales of raw milk, revenue is recognised when control of the raw milk has been transferred, being at the point the customer received and accepted the raw milk, the normal credit term of which is 30 days. For the sales of feeds and farm supplies, revenue is recognised when control of the feeds and farm supplies has been transferred, being at the point the customers received the feeds and farm supplies or at the point being despatched, depending on the terms of the contracts, the normal credit term is generally 30 to 90 days.

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

Sales of raw milk, feeds and farm supplies are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group is as follows:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------|------------------------|------------------------|
| Customer A | | |
| Raw milk | <u>9,518,407</u> | <u>9,201,510</u> |

6. SEGMENT INFORMATION

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), in order to allocate resources and assess performance. From July 2022, the Group commenced the business of digital intelligence platform after acquisition of Inner Mongolia Ai Yang Niu Technology Co., Ltd. (“Aiyangniu”) on 28 June 2022, which was considered as a new reportable segment by the CODM during the current year. Prior year segment disclosures have been represented to conform with the current year’s presentation. Information reported to the CODM for the purposes of resources allocation and assessment of segment performance focuses on the types and channels of goods and services delivered.

The Group’s reportable segments under IFRS 8 are as follows:

- Raw milk business – raising and breeding dairy cows to produce and sell raw milk.
- Offline feed business – trading, production and sales of feeds offline.
- Digital intelligence platform business – sales of feeds and farm supplies online through digital intelligence platform and provision of platform and other services.

Segment revenues and results

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

For the year ended 31 December 2023

| | Raw milk business <i>RMB’000</i> | Offline feed business <i>RMB’000</i> | Digital intelligence platform business <i>RMB’000</i> | Total reportable segments <i>RMB’000</i> | Eliminations <i>RMB’000</i> | Consolidated <i>RMB’000</i> |
|---|--|--|---|---|--------------------------------|--------------------------------|
| Segment revenue | | | | | | |
| External sales | 10,263,657 | 2,537,792 | 656,774 | 13,458,223 | - | 13,458,223 |
| Inter-segment sales | - | 2,199,157 | 108,797 | 2,307,954 | (2,307,954) | - |
| | <u>10,263,657</u> | <u>4,736,949</u> | <u>765,571</u> | <u>15,766,177</u> | <u>(2,307,954)</u> | <u>13,458,223</u> |
| Segment profit | <u>499,487</u> | <u>37,008</u> | <u>2,812</u> | <u>539,307</u> | <u>(14,959)</u> | <u>524,348</u> |
| Share Unallocated share of results of associates of results of associates | | | | | | 17,097 |
| Unallocated other income | | | | | | 12,551 |
| Unallocated other gains and losses | | | | | | 23,763 |
| Unallocated expenses | | | | | | <u>(348,763)</u> |
| Profit before tax | | | | | | <u>228,996</u> |

For the year ended 31 December 2022

| | Raw milk business RMB'000 | Offline feed business RMB'000 | Digital intelligence platform business RMB'000 | Total reportable segments RMB'000 | Eliminations RMB'000 | Consolidated RMB'000 |
|---|---------------------------------|-------------------------------------|--|--|-------------------------|-------------------------|
| Segment revenue | | | | | | |
| External sales | 9,945,090 | 1,851,325 | 498,676 | 12,295,091 | – | 12,295,091 |
| Inter-segment sales | – | 1,807,085 | 74,977 | 1,882,062 | (1,882,062) | – |
| | <u>9,945,090</u> | <u>3,658,410</u> | <u>573,653</u> | <u>14,177,153</u> | <u>(1,882,062)</u> | <u>12,295,091</u> |
| Segment profit | <u>1,264,352</u> | <u>51,668</u> | <u>19,228</u> | <u>1,335,248</u> | <u>(9,278)</u> | <u>1,325,970</u> |
| Unallocated share of results of associates | | | | | | 15,018 |
| Unallocated other income | | | | | | 8,255 |
| Unallocated other gains and losses | | | | | | (369,429) |
| Unallocated expenses | | | | | | <u>(384,773)</u> |
| Profit before tax | | | | | | <u>595,041</u> |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit before tax earned by each segment without allocation of central administration expenses, corporate income and expenses, certain other gains and losses and share of results of associates 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 assets and segment liabilities 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

For the year ended 31 December 2023

| | Raw milk business RMB'000 | Offline feed business RMB'000 | Digital intelligence platform business RMB'000 | Total reportable segments RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---------------------------------|-------------------------------------|--|--|------------------------|-------------------------|
| Amounts included in the measure of segment profit or loss: | | | | | | |
| Depreciation and amortisation charged to profit or loss | 394,407 | 36,391 | 2,170 | 432,968 | 20,139 | 453,107 |
| Impairment losses of trade and other receivables | - | 159 | 16,933 | 17,092 | 186 | 17,278 |
| Loss on disposal of property, plant and equipment | 12,075 | 6 | - | 12,081 | - | 12,081 |
| Loss on disposal of other intangible assets | - | - | 12,386 | 12,386 | - | 12,386 |
| Finance costs | <u>490,463</u> | <u>26,949</u> | <u>3,835</u> | <u>521,247</u> | <u>-</u> | <u>521,247</u> |

For the year ended 31 December 2022

| | Raw milk business RMB'000 | Offline feed business RMB'000 | Digital intelligence platform business RMB'000 | Total reportable segments RMB'000 | Unallocated RMB'000 | Consolidated RMB'000 |
|---|---------------------------------|-------------------------------------|--|--|------------------------|-------------------------|
| Amounts included in the measure of segment profit or loss: | | | | | | |
| Depreciation and amortisation charged to profit or loss | 370,880 | 16,236 | 1,348 | 388,464 | 10,295 | 398,759 |
| Impairment losses of trade and other receivables | - | 1,520 | 445 | 1,965 | 30 | 1,995 |
| Impairment losses on property, plant and equipment | 1,895 | - | - | 1,895 | - | 1,895 |
| Loss (gain) on disposal of property, plant and equipment | 5,978 | - | - | 5,978 | (21,300) | (15,322) |
| Gain on termination of lease agreements | (3,652) | - | - | (3,652) | - | (3,652) |
| Loss on disposal of other intangible assets | 165 | - | - | 165 | - | 165 |
| Finance costs | <u>362,455</u> | <u>16,233</u> | <u>871</u> | <u>379,559</u> | <u>-</u> | <u>379,559</u> |

Geographical information

The Group's operations are located in Mainland China and the United States of America ("USA").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Revenue from external customers | | Non-current assets (Note) | |
|----------------|------------------------------------|------------------------|------------------------------|------------------------|
| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Mainland China | 13,103,259 | 11,877,865 | 23,508,297 | 20,429,080 |
| USA | <u>354,964</u> | <u>417,226</u> | <u>125,902</u> | <u>102,716</u> |
| | <u>13,458,223</u> | <u>12,295,091</u> | <u>23,634,199</u> | <u>20,531,796</u> |

Note: Non-current assets excluded financial instruments and deferred tax assets.

7. OTHER INCOME

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|------------------------------|------------------------|------------------------|
| Interest income | 67,505 | 60,393 |
| Government grants related to | | |
| – Assets | 89,582 | 78,506 |
| – Others (<i>Note</i>) | <u>37,934</u> | <u>31,391</u> |
| | 127,516 | 109,897 |
| Others | <u>26,105</u> | <u>31,269</u> |
| | <u>221,126</u> | <u>201,559</u> |

Note: These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.

8. PROFIT BEFORE FINANCE COSTS AND TAX

Profit before finance costs and tax is arrived at after charging (crediting):

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|--------------------------|--------------------------|
| Cost of sales: | | |
| Breeding costs to produce raw milk | 7,350,674 | 6,850,047 |
| Raw milk fair value adjustments included in cost of sales | 2,678,046 | 2,887,548 |
| Cost of feeds and farm supplies sold | 2,962,537 | 2,178,065 |
| Cost of platform and other services | <u>16,999</u> | <u>–</u> |
| | <u>13,008,256</u> | <u>11,915,660</u> |
| Other gains and losses, net: | | |
| Net foreign exchange loss | 77,638 | 377,346 |
| Loss (gain) on disposal of property, plant and equipment | 12,081 | (15,322) |
| Loss (gain) on termination of lease agreements | 10 | (3,652) |
| Loss on disposal of other intangible assets | 12,386 | 165 |
| Gain on disposal of assets classified as held for sale | (4,470) | – |
| Loss on liquidation of a subsidiary | 215 | – |
| Impairment losses of property, plant and equipment | – | 1,895 |
| Gain on remeasurement of previously held interests | (5,050) | – |
| Fair value gain on structured deposits | – | (2,465) |
| Fair value loss (gain) on derivative financial instruments: | | |
| Foreign currency forward contracts | 59,371 | 2,172 |
| Foreign currency option contracts | (74,430) | (53,321) |
| Capped and floored cross currency swap | (80,640) | 69,844 |
| Changes in other liabilities | (4,034) | – |
| Others | <u>1,750</u> | <u>–</u> |
| | <u>(5,173)</u> | <u>376,662</u> |
| Depreciation of property, plant and equipment | 652,610 | 656,706 |
| Depreciation of right-of-use assets | 152,552 | 73,924 |
| Amortisation of other intangible assets | 9,249 | 4,207 |
| Less: capitalised in biological assets | <u>(361,304)</u> | <u>(336,078)</u> |
| Depreciation and amortisation charged to profit or loss | <u>453,107</u> | <u>398,759</u> |

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Short-term lease expense | 25,238 | 39,687 |
| Less: capitalised in biological assets | <u>(10,662)</u> | <u>(16,577)</u> |
| Short-term lease expense charged to profit or loss | <u>14,576</u> | <u>23,110</u> |
| Employee benefits expense: | | |
| Salaries and allowances | 1,004,636 | 907,665 |
| Retirement benefit schemes contributions | 82,346 | 68,368 |
| Equity-settled share award expense | 50,049 | 44,950 |
| Less: capitalised in biological assets | <u>(309,840)</u> | <u>(272,379)</u> |
| Employee benefits charged to profit or loss | <u>827,191</u> | <u>748,604</u> |
| Auditors' remuneration | <u>4,250</u> | <u>4,400</u> |

9. FINANCE COSTS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Interest expenses on: | | |
| Bank borrowings | 330,525 | 277,311 |
| Long term bonds | 82,744 | 79,117 |
| Short term debenture | 986 | 522 |
| Other borrowings | 18,855 | 11,920 |
| Lease liabilities | <u>72,402</u> | <u>36,840</u> |
| Total borrowing cost | 505,512 | 405,710 |
| Fair value loss (gain) on interest rate swaps | <u>15,735</u> | <u>(26,151)</u> |
| | <u>521,247</u> | <u>379,559</u> |

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2023 | 2022 |
|---|----------------------|--------------|
| | RMB'000 | RMB'000 |
| Impairment losses recognised in respect of: | | |
| Trade receivables | 17,216 | 1,965 |
| Other receivables | 62 | 30 |
| | <u>17,278</u> | <u>1,995</u> |

11. INCOME TAX EXPENSE AND DEFERRED TAXATION

Income tax expense

| | 2023 | 2022 |
|--|------------------------|----------------|
| | RMB'000 | RMB'000 |
| Current tax: | | |
| PRC Enterprise Income Tax | 18,634 | 11,295 |
| Other jurisdiction | 3,897 | 1,820 |
| Under provision in respect of prior years: | | |
| PRC Enterprise Income Tax | 36,142 | 5,969 |
| Deferred tax: | <u>(15,111)</u> | <u>(4,309)</u> |
| | <u>43,562</u> | <u>14,775</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.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory income tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

According to the prevailing tax rules and regulation of the EIT Law, 49 subsidiaries of the Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2023 (2022: 42 subsidiaries).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred taxation has not been provided for in the consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting to RMB5,348,821,000 as at 31 December 2023 (31 December 2022: RMB4,448,225,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

| | 2023 | 2022 |
|---|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| Profit before tax | <u>228,996</u> | <u>595,041</u> |
| Tax at applicable income tax rate at 25% (2022: 25%) | 57,249 | 148,760 |
| Effect of tax exemption granted to agricultural entities | (261,171) | (377,081) |
| Effect of unutilised losses incurred from agricultural business and other non-deductible expenses | 202,376 | 234,352 |
| Effect of different tax rates of entities operating in other jurisdictions | (2,615) | (234) |
| Effect of tax losses not recognised | 12,497 | 6,817 |
| Utilisation of tax losses previously not recognised | (916) | (3,808) |
| Under provision in respect of prior years | <u>36,142</u> | <u>5,969</u> |
| Income tax expense | <u>43,562</u> | <u>14,775</u> |

As at 31 December 2023, the Group's PRC subsidiaries had unused tax losses of RMB124,598,000 (2022: RMB109,898,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2023 will expire in year 2024 to year 2028 as disclosed in the following table if not utilised. No deferred tax asset has been recognised in relation to such tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised.

12. DIVIDENDS

During the year, a final dividend of RMB0.0142 per share in respect of the year ended 31 December 2022 (2022: RMB0.026 per share in respect of the year ended 31 December 2021) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current year amounted to RMB111,997,000 (2022: RMB204,390,000) and was appropriated from the Company's distributable share premium.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB0.0045 per ordinary share has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting.

13. EARNINGS PER SHARE

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

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|-------------------------------|-----------------------------|
| Profit | | |
| Profit for the year attributable to owners of the Company | <u>175,159</u> | <u>562,497</u> |
| Profit for the purpose of basic and diluted earnings per share | <u><u>175,159</u></u> | <u><u>562,497</u></u> |
| | 2023 <i>Shares</i> | 2022 <i>Shares</i> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 7,861,049,217 | 7,859,032,978 |
| Effect of dilutive potential ordinary shares: | | |
| Share awards | <u>51,084,645</u> | <u>25,269,600</u> |
| | <u><u>7,912,133,862</u></u> | <u><u>7,884,302,578</u></u> |

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after adjusting the effect of shares repurchased by the Company and the shares held under the Company's share award scheme.

14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables | 1,549,119 | 1,633,165 |
| Bills receivable | 6,657 | 14,268 |
| Less: allowance for credit losses | <u>(19,107)</u> | <u>(1,965)</u> |
| | 1,536,669 | 1,645,468 |
| Prepayments for feeds, materials, insurance and others | 198,359 | 337,218 |
| Prepayments for property, plant and equipment | 12,914 | 29,936 |
| Input value added tax recoverable | 4,666 | 8,364 |
| Receivables from the original shareholders of an acquired subsidiary | – | 30,000 |
| Short term entrusted loans to associates (<i>Note</i>) | 94,786 | 68,620 |
| Guarantee deposit receivables | 29,624 | 11,236 |
| Receivables from selling biological assets | 36,785 | 61,915 |
| Others | <u>35,043</u> | <u>21,086</u> |
| | <u>1,948,846</u> | <u>2,213,843</u> |
| Analysed as: | | |
| Current | 1,935,932 | 2,183,907 |
| Non-current | <u>12,914</u> | <u>29,936</u> |
| | <u>1,948,846</u> | <u>2,213,843</u> |

Note: As at 31 December 2023 and 2022, the Group granted entrusted loans to certain associates with the annual interest rate of 5% which will mature in 1 year.

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB1,044,160,000.

As at 31 December 2023, the Group's trade receivables with carrying amount of RMB12,925,000 (2022: RMB19,697,000) were pledged to secure certain other borrowings (2022: bank and other borrowings) of the Group.

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk, feeds and farm supplies. The Group allows a credit period of 30 days to its customers of raw milk and no more than 90 days to its customers of feeds and farm supplies.

The following is an aged analysis of trade receivables and bills receivable, net of allowance for credit losses, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates at the end of the reporting period:

| | 2023 | 2022 |
|-------------------------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | | |
| – within 30 days | 1,360,978 | 1,295,769 |
| – beyond 30 days but within 90 days | 126,007 | 244,447 |
| – beyond 90 days but within 1 year | 43,027 | 90,984 |
| Bills receivable | | |
| – within 30 days | 572 | 7,094 |
| – beyond 30 days but within 90 days | 6,085 | 7,174 |
| | <u>1,536,669</u> | <u>1,645,468</u> |

15. TRADE AND OTHER PAYABLES

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|--|-------------------------|-------------------------|
| Trade payables | 1,373,517 | 2,064,492 |
| Trade payables under supplier finance arrangements (<i>Note i</i>) | 3,022,045 | 84,486 |
| Bills payables (<i>Note ii</i>) | <u>41,870</u> | <u>67,921</u> |
| | 4,437,432 | 2,216,899 |
| Payable for acquisition of property, plant and equipment | 481,547 | 277,694 |
| Accrued staff costs | 358,533 | 314,268 |
| Receipts in advance from disposal of dairy cows | 8,418 | 15,017 |
| Guarantee deposit | 159,955 | 123,742 |
| Payables for acquisition of subsidiaries | 29,101 | 263,536 |
| Payables for acquisition of non-controlling interests | – | 20,894 |
| Dividends payable to non-controlling shareholders | – | 5,341 |
| Others | <u>64,403</u> | <u>51,310</u> |
| | <u>5,539,389</u> | <u>3,288,701</u> |
| Analysed as: | | |
| Current | 5,534,188 | 3,288,701 |
| Non-current | <u>5,201</u> | <u>–</u> |
| | <u>5,539,389</u> | <u>3,288,701</u> |

Notes:

- i. These supplier finance arrangements permit certain suppliers of the Group to be paid a discounted amount by certain financial companies earlier than the due date. As the arrangements do not permit the Group to extend payment terms from financial companies by paying financial companies later than the credit period which the Group would have paid its suppliers, the Group considers amounts payable to financial companies should be classified as trade payables. In the consolidated statement of cash flows, settlements of these trade payables are included within operating cash flows based on the nature of the arrangements.
- ii. Bills payables are with maturities within twelve months from the respective issuance dates.

The credit period granted by suppliers for trade purchases is generally within 180 days (2022: 120 days). The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

| | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| within 120 days | 3,936,553 | 2,076,387 |
| beyond 120 days but within 180 days | 420,756 | 36,237 |
| beyond 180 days but within 360 days | 26,751 | 14,606 |
| beyond 360 days but within 720 days | <u>11,502</u> | <u>21,748</u> |
| | <u>4,395,562</u> | <u>2,148,978</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2023, China's dairy industry achieved high-quality development despite many challenges and pressures arising from slow market recovery and high costs for the dairy industry, with the support of national policies and technological innovations. According to statistics of the National Bureau of Statistics, China's raw milk production reached 41.97 million tons in 2023, representing an increase of 6.7% year-on-year, which was the fourth consecutive year of maintaining a growth rate of more than 6%. At the same time, China's dairy cow annual yield also increased to 9.2 tons, representing an increase of 5.7% year-on-year. However, the price of raw milk showed a continuous downward trend, resulting in a continuous decline in the profitability of dairy farming.

On the international market, China's import of dairy products declined in both volume and value in 2023. China imported a total of 3.058 million tons of various dairy products, representing a decrease of 10.0% year-on-year, which was also the second consecutive year of decline in China's dairy product imports since 2015. The import value was USD12.082 billion, representing a decrease of 13.3% year-on-year. Among them, the import volume of whole milk powder was 777,100 tons, representing a decrease of 24.9% year-on-year. The import value was USD2.923 billion, representing a decrease of 34% year-on-year. The average price was USD33,762/ton, representing a decrease of 12.1% year-on-year. These data reflected the stage imbalance of domestic raw milk supply and demand, which has also led dairy companies to reduce their reliance on external dairy products.

In terms of policies, on 13 February 2023, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Promoting the Key Work of Rural Revitalization in an All-round Way in 2023", which was the 20th Central No. 1 document since the 21st century to guide the work of "agriculture, rural areas and farmers". The document emphasized the need to strengthen the support of agricultural science and technology and equipment, promote the breakthrough of key core technologies in agriculture, implement seed industry revitalization actions, and promote the green development of agriculture. At the same time, in April 2023, the Ministry of Agriculture and Rural Affairs also issued the "China Agricultural Outlook Report (2023–2032)", which reviewed and forecasted the market situation of China's main agricultural products. The report predicts that in the next 10 years, China's milk production and consumption will both increase significantly, dairy product imports will continue to increase, and the price of fresh milk will generally show a fluctuating upward trend. In addition, in December 2023, the National Food Safety Standard Review Committee solicited opinions on 21 national food safety standards (drafts for comments), including the national standards for "Ultra-high Temperature Sterilized Milk" and "Sterilized Milk". "Ultra-pasteurized milk" and other specialty milk products are also expected to have their first national standards. The introduction of these policies and standards will provide more powerful guarantee and guidance for the development of China's dairy industry.

Faced with multiple difficulties of raw milk's stage oversupply, price decline, cost increase, etc., China's dairy farming industry is in the most difficult situation in more than a decade. Under such circumstances, innovation is the key to breaking through the predicament. The upstream animal husbandry industry will continue to support the genetic evaluation and breeding of bulls by accelerating the "seed source" independent process, improve feed conversion efficiency by developing feed resources, and vigorously develop intelligent dairy farming to improve production efficiency and quality. With the help of these innovative measures, China's dairy industry will be able to enhance its own competitiveness and sustainable development capabilities, and provide consumers with dairy products of higher quality.

OPERATIONAL PERFORMANCE

During the year, the Group firmly implemented the three-year strategic plan, implemented cost-orientated strategies, focused on "three-JIAN (diligence, simplification, synergism) (in Chinese pinyin: Qín Jiǎn, Jiǎn Huà, Jiǎn Shǎo)", reduced four types of expenditures, and implemented eight major initiatives, with the aim to achieve low operating costs, accomplish high operating indicators, attain high economic efficiency, and secure high reward for employees. Thanks to the concerted efforts of the management and all employees, the performance of the Group's main operating indicators was better than expected. The average annualised milk yield ("AMY") of milkable cow was 12.6 tons per head (2022: 12.2 tons per head), representing a year-on-year ("yoy") increase of 3.3%. And the total milk yield was 2,588 thousand tons (2022: 2,364 thousand tons) during the year, representing an increase of 9.5% yoy.

During the year, the Group's sales revenue recorded RMB13,458.2 million (2022: RMB12,295.1 million), representing a yoy increase of 9.5%. Among which, the sales revenue of raw milk amounted to RMB10,263.7 million (2022: RMB9,945.1 million), representing a yoy increase of 3.2%. The sales revenue of the new business segments amounted to RMB3,194.6 million (2022: RMB2,350.0 million), representing a yoy increase of 35.9%.

Herd Scale

| | 2023 | 2022 |
|--------------------|-----------------------|----------------|
| | <i>Heads</i> | <i>Heads</i> |
| Dairy cows | | |
| Milkable cows | 218,711 | 199,793 |
| Heifers and calves | <u>231,851</u> | <u>205,565</u> |
| Total | <u>450,562</u> | <u>405,358</u> |

As at 31 December 2023, the Group invested and operated a total of 42 dairy farming companies with 450,562 dairy cows in mainland China (2022: 405,358 heads), representing a yoy increase of 11.2%. The Group is a leading dairy farming operator and raw milk producer in terms of herd size in the PRC. The proportion of milkable cows to the total number of dairy cows decreased by 0.8 percentage points to 48.5% in 2023 (2022: 49.3%) yoy, mainly due to the significant increase in the number of the Group's heifers and calves in the stage of expansion, resulting in the decrease of the proportion of milkable cows. The Group will continue to optimize and adjust the herd structure so as to achieve sustainable, healthy and stable development.

Milk Yield

During the year, the Group recorded AMY of 12.6 tons per milkable cow (2022: 12.2 tons), representing a yoy increase of 3.3%. The total annual milk production of the Group grew by 9.5% yoy to 2.588 million tons (2022: 2.364 million tons). The increase in milk yield was attributable to effective herd management, genetic improvement over generations, and an increase in the number of cows reaching peak stage of lactation. Milk yield is affected by a number of factors, including the frequency of lactation, breed, comfort level, health, genetics and feed mix. The Company has been conducting research on each factor, inviting foreign and domestic cow experts to regularly station and give guidance at the farms, and through interactive sharing amongst industry experts and staff training, to improve milk yield and cow health.

FINANCIAL OVERVIEW

SALES REVENUE

Business Analysis

The following table sets forth the details of the consolidated revenue for the years ended 31 December:

| | 2023 | 2022 |
|----------------------|---------------------------------|--------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Raw milk business | 10,263,657 | 9,945,090 |
| New business | <u>3,194,566</u> | <u>2,350,001</u> |
| Consolidated revenue | <u><u>13,458,223</u></u> | <u><u>12,295,091</u></u> |

During the year, the Group recorded sales revenue of RMB13,458.2 million (2022: RMB12,295.1 million), representing a yoy increase of 9.5%. Among which, the sales revenue of raw milk amounted to RMB10,263.7 million (2022: RMB9,945.1 million), representing a yoy increase of 3.2%. The sales revenue of the new business segments amounted to RMB3,194.6 million (2022: RMB2,350.0 million), representing a yoy increase of 35.9%.

Raw Milk Business

The following table sets forth the details of sales revenue, sales volume and average selling price (“ASP”) of raw milk for the years indicated:

| | 2023 | | | 2022 | | |
|----------|--------------------------|-------------------------|---------------------|------------------|------------------|----------------|
| | Sales revenue | Sales volume | ASP | Sales revenue | Sales volume | ASP |
| | <i>RMB'000</i> | <i>tons</i> | <i>RMB/ton</i> | <i>RMB'000</i> | <i>tons</i> | <i>RMB/ton</i> |
| Raw milk | <u>10,263,657</u> | <u>2,546,924</u> | <u>4,030</u> | <u>9,945,090</u> | <u>2,327,351</u> | <u>4,273</u> |

The Group’s total revenue of the sales of raw milk increased by 3.2% yoy to RMB10,263.7 million during the year (2022: RMB9,945.1 million). The increase was mainly due to the increase in sales volume of raw milk.

ASP of raw milk has decreased by 5.6% yoy to RMB4.03/kg during the year (2022: RMB4.27/kg). This was mainly due to the downward trend of selling prices in the domestic raw milk market.

Total sales volume of raw milk increased by 9.4% yoy to approximately 2.55 million tons during the year (2022: 2.33 million tons), mainly due to the increase in the number of milkable cows and the rise in AMY per milkable cow.

New Business

New Business refers to the Group's feeds and forage and intelligent digital platform, etc. During the year, total sales revenue of the New Business segments amounted to RMB3,194.6 million (2022: RMB2,350.0 million), representing a yoy increase of 35.9%. Among the New Business segments, sales revenue generated from the feeds and forage business amounted to RMB2,537.8 million (2022: RMB1,851.3 million), representing a yoy increase of 37.1%, while revenue from the digital intelligence platform business for livestock industry achieved RMB656.8 million (2022: RMB498.7 million), representing a yoy increase of 31.7%. The management expects that the New Business segments will continue to grow and contribute profits to the Group.

COST OF SALES

The Group's cost of sales primarily consisted of cost of raw milk and feeds sales. The following table sets forth the breakdown of the cost of sales of our products for the years indicated:

| | 2023 | 2022 |
|---------------------|---------------------------------|-------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Raw milk business | 7,350,674 | 6,850,047 |
| New Business | <u>2,979,536</u> | <u>2,178,065</u> |
| Total cost of sales | <u><u>10,330,210</u></u> | <u><u>9,028,112</u></u> |

During the year, the Group's cost of sales amounted to RMB10,330.2 million (2022: RMB9,028.1 million), representing a yoy increase of 14.4%, mainly due to the increase in sales scale of raw milk and New Business.

Raw Milk Business

During the year, the cost of sales of raw milk business amounted to RMB7,350.7 million (2022: RMB6,850.0 million), representing a yoy growth of 7.3%, mainly due to the increase in the sales volume of raw milk.

During the year, the prices of key bulk feeds remained at a high level. The Group implemented various measures to streamline the procurement process so as to reduce purchasing costs. The Group has effectively alleviated the impact arising from the increase in the prices of certain feeds through improving the formula, adjusting the feed mix, enhancing the health of cows and raising AMY per milkable cow. During the year, the Group kept the average feed cost of raw milk before inter-segment offset at RMB2.34/kg (2022: RMB2.33/kg), approximately the same as the last year. And the Group has broadened sources of income and reduced other expenditure concurrently. During the year, the Group kept other costs of raw milk at RMB0.58/kg (2022: RMB0.64/kg), representing a significant decrease. As a result, during the year, the Group kept the average unit cost of raw milk before inter-segment offset at RMB2.92/kg (2022: RMB2.97/kg). The Group's cost-control ability maintains at an industry-leading level.

New Business

During the year, the cost of sales of New Business amounted to RMB2,979.5 million (2022: RMB2,178.1 million), representing a yoy increase of 36.8%, mainly due to the growth in sales scale of New Business, which is in line with the growth in sales revenue of New Business.

Overall Gross Profit and Profitability

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

| | 2023 | | 2022 | |
|-------------------|-------------------------|---------------------|------------------|--------------|
| | Gross profit | Gross profit | Gross profit | Gross profit |
| | <i>RMB'000</i> | margin | <i>RMB'000</i> | margin |
| Raw milk business | 2,912,983 | 28.4% | 3,095,043 | 31.1% |
| New Business | 215,030 | 6.7% | 171,936 | 7.3% |
| Total | <u>3,128,013</u> | <u>23.2%</u> | <u>3,266,979</u> | <u>26.6%</u> |

The Company's financial performance is highly correlated with market prices and costs of raw milk and also affected by the milk yield of each milkable cow. In general, when milk prices increase, the Company's profitability will increase correspondingly under normal operation condition. When milk yield improves, the unit cost of sales of raw milk will correspondingly decrease.

The gross profit of the Group's raw milk business amounted to RMB2,913.0 million (2022: RMB3,095.0 million), representing a decrease of 5.9% yoy, which was mainly due to the fact that the gross profit contributed by the increase in the sales volume of raw milk cannot fully offset the decrease in gross profit caused by the decrease in the ASP of raw milk. Although the average unit cost of raw milk has decreased, it was not enough to offset the decrease in the ASP of raw milk, causing the gross profit margin of the Group's raw milk business to decrease by 2.7% yoy to 28.4% (2022: 31.1%). The gross profit of the Group's New Business was RMB215.0 million (December 2022: RMB171.9 million), representing an increase of 25.1% yoy, which was mainly due to the increase in the sales revenue of new business.

Losses Arising from Changes in Fair Value Less Costs to Sell of Dairy Cows

Losses arising from changes in the fair value of dairy cows less costs to sell dairy cows were RMB1,280.4 million during the year (31 December 2022: RMB988.2 million), representing an increase of 29.6% yoy, mainly due to the decrease in market price of beef, the decrease in selling price of raw milk and the increase in the herd size during the year.

Gains Arising on Initial Recognition of Raw Milk at Fair Value Less Costs to Sell at the Point of Harvest

During the year, the gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest amounted to RMB2,678.0 million (2022: RMB2,887.5 million), representing a decrease of 7.3% yoy, mainly due to the decrease in the ASP of raw milk.

International Financial Reporting Standards requires that raw milk harvested was initially measured at fair value less costs to sell, and the difference between the fair value less costs to sell and the actual costs incurred was booked to profit or loss account.

Other Income

During the year, other income amounted to RMB221.1 million (2022: RMB201.6 million), representing an increase of 9.7% yoy, which mainly consisted of government grants and interest income, of which interest income accounted for RMB67.5 million (2022: RMB60.4 million), while the government grants amounted to RMB127.5 million (2022: RMB109.9 million). Government grants mainly consisted of subsidies for agricultural projects and subsidies for the operations of the Group.

Operating Expenses

| | 2023 | 2022 |
|--------------------------------|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Selling and distribution costs | 377,784 | 369,887 |
| Administrative expenses | 852,386 | 730,203 |
| Total operating expenses | <u>1,230,170</u> | <u>1,100,090</u> |

The total operating expenses was RMB1,230.2 million during the year (2022: RMB1,100.1 million), representing an increase of 11.8% yoy. The analysis is as follows:

- ***Selling and distribution costs***

| | 2023 | 2022 |
|--------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Transportation costs and others | 356,712 | 352,349 |
| Taxes and surcharges | 21,072 | 17,538 |
| Total selling and distribution costs | <u>377,784</u> | <u>369,887</u> |

Selling and distribution costs mainly consisted of transportation costs for the raw milk business, transportation costs and other expenses (mainly salaries and other daily expenses of the sales department) for new business, as well as taxes and surcharges related expenses. During the year, the Group's selling and distribution costs stood at RMB377.8 million (2022: RMB369.9 million), which was basically the same as last year. Among these, 1) transportation costs for the raw milk business were RMB234.9 million (2022: RMB207.5 million), a yoy increase of RMB27.4 million or 13.2%, which was mainly due to the increase in the Group's raw milk sales volume; and 2) transportation costs and other expenses for new business were RMB121.8 million (2022: RMB144.8 million), a yoy decrease of RMB23.0 million or 15.9%, which was mainly due to the slowdown in economic growth and the recovery of market logistics capacity, resulting in a reduction in overall bulk logistics costs.

- **Administrative expenses**

Administrative expenses mainly included remuneration of management staff (including equity-based share award expenses) and depreciation charges of office buildings, staff quarters and facilities, and other daily administrative expenses. During the year, the Group’s administrative expenses amounted to RMB852.4 million (2022: RMB730.2 million), representing an increase of RMB122.2 million or 16.7% yoy, which was mainly due to the following: 1) the Group has equipped some of the new farms that were gradually put into production with experienced management personnel and necessary resources to ensure stable operations in the early stages, thus increasing administrative expenses. There was a certain lag in the release of the production capacity and benefits of these new farms, but the Group expects that these new farms will continue to contribute to the Group’s performance after reaching full production capacity; 2) there is an impact of the different periods during which the administrative expenses of companies acquired by the Group are included in the Group’s consolidated financial statements in the respective years; and 3) with the expansion of the Group’s business scale, in order to match the Group’s strategic development needs, the number of management personnel has been appropriately increased and investment in informatization and digital intelligence construction has been increased, resulting in a corresponding increase in administrative expenses. During the year, the Group was honored with the “2023 CDI China Digital Enterprise TOP20” award and “Dingge Award for Digital Transformation Pioneer List” by the annual jury committee, symbolizing the Group’s success in digitalization transformation. The Group is committed to establishing a sound talent development and incentive system to safeguard the realization of the Group’s strategic objectives. During the year, the Group achieved a significant increase in major operating indicators, which was far beyond expectations and had brought satisfactory incentive results.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | 2023 | 2022 |
|---|----------------------|--------------|
| | RMB’000 | RMB’000 |
| Impairment losses recognised in respect of: | | |
| Trade receivables | 17,216 | 1,965 |
| Other receivables | 62 | 30 |
| | <hr/> | <hr/> |
| Total | <u>17,278</u> | <u>1,995</u> |

During the year, the impairment losses under expected credit loss model, net of reversal of the Group amounted to RMB17,278 thousand (2022: RMB1,995 thousand). The Group has assessed the corresponding expected credit loss of its trade receivables based on the principle of prudence, resulting an increase in expected credit losses based on the expected credit loss model. However, it does not indicate the ultimate actual losses.

Other Gains and Losses, Net

During the year, net gains arising from other gains and losses amounted to RMB5.2 million (2022: net losses of RMB376.7 million) mainly consisting of net amount of foreign exchange (gains)/losses, fair value (gain)/loss on derivative financial instruments. The breakdown of other gains and losses is as follows:

| | 2023 | 2022 |
|--|-----------------|-------------|
| | RMB'000 | RMB'000 |
| Other gains and losses, net: | | |
| Net foreign exchange loss/(gain) | 77,638 | 377,346 |
| Loss/(gains) on disposal of property, plant and equipment | 12,081 | (15,322) |
| Loss/(gains) on termination of lease agreements | 10 | (3,652) |
| Loss on disposal of other intangible assets | 12,386 | 165 |
| Gain on disposal of assets classified as held for sale | (4,470) | – |
| Loss on disposal of a subsidiary | 215 | – |
| Impairment losses of property, plant and equipment | – | 1,895 |
| Gain on remeasurement of previously held interests | (5,050) | – |
| Fair value gain on structured deposits | – | (2,465) |
| Fair value loss/(gain) on derivative financial instruments | | |
| Foreign currency forward contracts | 59,371 | 2,172 |
| Foreign currency option contracts | (74,430) | (53,321) |
| Capped and floored cross currency swap | (80,640) | 69,844 |
| Changes in other liabilities | (4,034) | – |
| Others | 1,750 | – |
| | <hr/> | <hr/> |
| Total | (5,173) | 376,662 |
| | <hr/> <hr/> | <hr/> <hr/> |

Finance Costs

During the year, the Group's finance costs amounted to RMB521.2 million (2022: RMB379.6 million), representing an increase of 37.3% yoy. Among which, 1) the financial costs for interest-bearing borrowings were RMB433.1 million (2022: RMB368.9 million), a yoy increase of 17.4%, which was mainly due to the growth in the average size of interest-bearing borrowings, and the average financing cost rate of the Group's interest-bearing borrowings continued to decline; and 2) the financial costs for lease liabilities were RMB72.4 million (2022: RMB36.8 million), a yoy increase of 96.7%, which was mainly due to the increase in the scale of lease liabilities.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's cash EBITDA amounted to RMB2,495.8 million during the year (2022: RMB2,740.2 million), representing a decrease of 8.9% yoy. The cash EBITDA margin was 18.5% (2022: 22.3%), with a yoy decrease of 3.8 percentage point (“ppt”).

Taking into account the above factors, profit attributable to owners of the Company amounted to RMB175.2 million during the year (2022: RMB562.5 million), with a yoy decrease of 68.9%.

During the year, basic earnings per share of the Company (the “Share”) was RMB2.23 cents (2022: RMB7.16 cents per Share). Diluted earnings per Share was RMB2.21 cents (2022: RMB7.13 cents per Share).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2023, the net gearing ratio, which was calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity, was 74.4% (as at 31 December 2022: 85.2%) with a yoy decrease of 10.8 ppt.

As at 31 December 2023, the Group's available and unutilised credit facilities were approximately RMB6,989.0 million (as at 31 December 2022: RMB5,759.9 million). Having considered (i) cash flow forecast from operating activities of continuing operation; (ii) existing financial resources and gearing level of the Group, the Directors believe that the Group's financial resources are sufficient to meet its debt repayment, day-to-day operations, contracted capital expenditures as at 31 December 2023.

FINANCIAL MANAGEMENT POLICIES

The Group mainly operates its business in mainland China, and the foreign exchange risks related to its operations are not significant. Even so, the Group still strictly monitors and controls potential financial risks. The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, other borrowings, long term bonds, short term debenture and derivative financial instruments. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against USD. We manage the foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into foreign currency option contracts or capped and floored cross currency swap, when necessary, to manage its foreign exchange exposure.

We manage the interest rate risk (if any) by performing regular reviews of the Group's net interest rate exposures and may enter into interest rate swap contracts, when necessary, to manage its interest rate exposure.

For credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action if necessary is taken to recover overdue debts.

The management believes the risks associated with the financial instruments were properly managed and didn't pose material impact to the Group's operation.

GROUP STRUCTURE

Save for disclosed in this report, during the year, there was no material change in the structure of the Group.

CAPITAL STRUCTURE

As at 31 December 2023, the total number of ordinary shares in issue of the Company was 7,915,662,048 shares (31 December 2022: 7,915,662,048 shares).

As at 31 December 2023, the net assets attributable to owners of the Company amounted to approximately RMB11,201.0 million (31 December 2022: approximately RMB11,264.1 million), the net borrowings of the Group (total interest-bearing borrowings less cash and deposit assets) amounted to approximately RMB8,813.2 million (31 December 2022: approximately RMB9,921.7 million).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB281.1 million (31 December 2022: RMB261.8 million) with a increase of RMB19.3 million yoy.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group had approximately 8,873 employees (31 December 2022: 8,455 employees) in the PRC and Hong Kong. As a result of continuous expansion of the Group's business scale, the number of employees increased during the year, and the total staff costs of the Group amounted to (excluding equity-settled share award expense) approximately RMB1,087.0 million (2022: RMB976.0 million).

A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Payments to defined contribution retirement benefit under the state-managed retirement benefit schemes in the PRC (the "**State-managed Retirement Benefit Schemes**") are charged as an expense when employees have rendered service entitling them to the contribution. The PRC employees of the Group are eligible members of the State-managed Retirement Benefit Schemes operated by the government of the PRC. The employees of the PRC subsidiaries of the Company are required to contribute in accordance with employee pension insurance and other insurance benefits requirements on monthly basis to the State-managed Retirement Benefit Schemes to fund the benefits. The only obligation of the Group with respect to the State-managed Retirement Benefit Schemes is to make the required contributions under the schemes. Employees in Hong Kong are provided with retirement benefits, under the Mandatory Provident Fund scheme and medical insurance.

In 2023, based on the needs of business development, the Group formulated a human resources strategy consisted of five key initiatives, i.e. reshaping cultural strength, upgrading organizational management, accelerating echelon construction, deepening talent recruitment and innovating performance incentives. Its industry-first “four-wheel drivers” leadership model and “diamond” professional power model, through attracting, retaining and cultivating the Company’s elite professionals, aimed to create capable generalists, build a first-class talent supply chain system and realize the talent-driven strategy. Moreover, the Group strictly abided by various relevant laws and regulations and offered standardized salary, performance evaluation policies and diversified welfare policies to attract and retain employees, striving to provide all employees with the remuneration and benefits they deserve and being committed to achieving the Group’s strategic goals together.

SOCIAL RESPONSIBILITY

Upholding the principle of “safety and quality come first”, the Group is proactive when it comes to fulfilling its social responsibility. The Group devotes great effort to strike a balance between business growth and social responsibility, so as to convey the Group’s care and blessing to all stakeholders. The Group is committed to improving the quality of its products by providing consumers with a commitment to provide healthy, safe, nutritious and high-quality dairy products. Meanwhile, it adheres to the production principle of energy conservation and environmental protection.

The Group actively promotes the economic development of the surrounding areas where the farms are located and increases the income of local residents. The Group actively implements the precise poverty alleviation policy, responds to the call of poverty alleviation, and is devoted to poverty alleviation within the industry and society. Firstly, the contracts of silage planting were signed with local farmers in the farming areas to reduce the impact of natural disasters on crop harvest and simultaneously solve the local employment problem. The Group’s farms provide multiple jobs throughout the country, effectively alleviating the pressure of surplus rural labor force and increasing the income of local farmers. The Group also undertakes social responsibility and promotes local economic development through measures such as making direct donation of materials, money and paying visits to nursing homes. During the year, the Group has made charitable and other donations amounted to approximately RMB5.04 million.

PROSPECTS

With the corporate vision of “establishing a whole dairy value chain, innovating with digital intelligence, and becoming a global dairy farming leader”, the Group will focus on “three-JIAN (diligence, simplification, synergism) (in Chinese pinyin: Qín Jiǎn, Jiǎn Huà, Jiǎn Shǎo)”, reduce four types of expenditures, and implement eight major initiatives. All departments are cohesive and eager to actively respond to internal and external challenges. During the year, the Group adhered to the operational strategy of “One-Low, Four-High”, which refers to low operating costs, high economic benefits, high performance achievements, a high employee happiness index and high-quality development. We will continue to solidify our conventional core business of raw milk production and concurrently and dynamically fine tune the New Business segments in response to any headwind.

Modern Dairy will adhere to the full dairy value chain layout, highly emphasizing the combination of ecology and technology, continuously upgrading various nodes in the cycle from “a blade of grass to a glass of milk”. Meanwhile, we will fully leverage the complementary synergies of breeding, feed, forage, digital intelligence platforms and raw milk business to enhance the Group’s comprehensive business capabilities, corporate management level, operational performance and risk resilience.

In 2024, Modern Dairy will spare no effort to build the “striving system towards to be the first” and adopt “Breakthrough Beyond Limits, Innovation Embraces Victories “ as our motto. While ensuring safety and maintaining integrity, we will benchmark against the best, explore growth opportunities, and inspire talented individuals. We are committed to our principles of strategies, cost-leading, full dairy value chain layout, and prioritizing talents, while driving high-quality development through innovation. It will provide a strong guarantee for the continuous expansion and upgrading of the domestic Chinese dairy consumption market and lead the industry in achieving a substantial development.

In the future, guided by the “Five-Year Leading Plan”, Modern Dairy will continue adhering to “technological innovation”. We will enhance digitalization throughout our entire value chain, speed up our transition to green practices, ensure a smooth succession of talents, and promote industry collaboration. Our aim is to provide higher-quality raw milk to our downstream partners and contribute to the industry’s high-quality development.

We expect that the herd size of dairy cows of the Group could reach more than 500,000 heads by 2025, with an annual milk yield of 3.6 million tons. Modern Dairy will continue to actively undertake the responsibility of revitalizing the national dairy industry through leading the industry towards a sustainable development model of digital intelligence innovations and low-carbon environmental protection, and will also keep improving the ecology of the whole dairy value chain to build itself into one of the world's leading and socially responsible dairy farming groups.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has, throughout the year and up to the date of this announcement, complied with the code provisions set out in the CG Code except for the deviation from code provisions C.1.6.

Code provision C.1.6 of the CG Code provides that non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. One non-executive Director was not able to attend the annual general meeting and extraordinary general meeting of the Company held on 6 June 2023 due to his other business engagements.

Save as disclosed above, the Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the code of conduct regarding securities transactions by Directors adopted by the Company during the year.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year, except that the trustee of the share award scheme of the Company, pursuant to the rules of which, purchased on the open market a total of 62,123,000 (2022: 9,200,000 shares) ordinary shares of the Company as restricted shares at a consideration of approximately HK\$48,488,000 (equivalent to RMB44,470,000) (2022: HK\$10,962,000 (equivalent to RMB9,073,000)).

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0045 (2022: RMB0.0142) per ordinary share for the year ended 31 December 2023. Upon shareholders' approval at the forthcoming annual general meeting of the Company, which will be held on Wednesday, 12 June 2024 (the "**2024 AGM**"), the proposed final dividend will be paid on or about Friday, 28 June 2024 to shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2024. Currently, the Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

No interim dividend was paid during the year (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 June 2024 to Wednesday, 12 June 2024, both days inclusive, for the purpose of ascertaining shareholders' eligibility to attend and vote at 2024 AGM. In order to be eligible to attend and vote at 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 5 June 2024.

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Thursday, 20 June 2024, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at the same address as set out above not later than 4:30 p.m. on Monday, 17 June 2024.

EVENTS AFTER THE REPORTING PERIOD

Deemed Disposal of Equity Interest in a Subsidiary

Reference is made to the announcement dated 1 February 2024 (the “**Announcement**”, terms used in this section shall have the same meanings as defined in the Announcement), that Modern Farming Wuhe, China Agricultural, Anhui Suida and Modern Farming entered into, among others, the Capital Injection Agreement, pursuant to which, China Agricultural subscribed for 25.4% of the enlarged registered capital of Modern Farming Wuhe by way of Capital Injection in cash for the sum of RMB600 million into Modern Farming Wuhe on 8 February 2024.

Proposed Issuance of Option Shares and Unlisted Options under Specific Mandate

The Company and China Agricultural also entered into the Option Agreement, pursuant to which the Company agreed to grant an option to China Agricultural to subscribe for the Option Shares. The grant of option is subject to approval by the shareholders at the forthcoming general meeting.

Saved as disclosed above, no other material events occurred during the year and up to the date of this announcement.

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 31 December 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 25 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang and one non-executive Director, Mr. Zhang Ping. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company, and discussed the risk management and internal control systems and financial reporting matters including the review of the audited results for the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2023 will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.moderndairyir.com) in due course.

BOARD OF DIRECTORS

As of the date of this announcement, the executive Directors are Mr. Sun Yugang and Mr. Zhu Xiaohui, the non-executive Directors are Mr. Zhao Jiejun (Chairman), Mr. Zhang Ping, Mr. Chen Yiyi and Ms. Gan Lu, and the independent non-executive Directors are Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support, and to all staff for their industrious work and commitment.

On behalf of the Board
China Modern Dairy Holdings Ltd.
Mr. Zhao Jiejun
Chairman

Hong Kong, 25 March 2024