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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, 2023**

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

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

Notes:

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

The Board of the Company is pleased to announce the audited consolidated results of the Group for the Reporting Period.

In this announcement, “we”, “us”, and “our” refer to the Company 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, 2023

	<i>NOTES</i>	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Revenue	5	18,693,896	18,050,761
Cost of sales	6	(17,499,357)	(16,958,848)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		3,275,246	3,131,809
Gross profit		4,469,785	4,223,722
Loss arising from changes in fair value less costs to sell of biological assets		(3,613,271)	(1,617,116)
Other income	7	453,821	362,890
Impairment loss under expected credit loss model, net of reversal	8	(6,629)	(32,739)
Impairment loss recognised in respect of goodwill		(120,966)	–
Other gains and losses	9	135,551	47,999
Selling and distribution expenses		(619,566)	(590,016)
Administrative expenses		(778,154)	(721,535)
Other expenses		(70,383)	(64,923)
Share of losses of associates		(126,559)	(35,531)
Share of (loss)/profit of a joint venture		(541)	4
Finance costs	10	(1,082,592)	(1,097,485)
(Loss)/profit before tax		(1,359,504)	475,270
Income tax expense	11	(93,388)	(69,284)
(Loss)/profit for the year	12	(1,452,892)	405,986

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

FOR THE YEAR ENDED DECEMBER 31, 2023

	<i>NOTE</i>	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Other comprehensive income/(expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax		6,236	(6,873)
Exchange differences arising on translation from functional currency to presentation currency		<u>298,805</u>	<u>1,338,548</u>
		<u>305,041</u>	<u>1,331,675</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(363,985)</u>	<u>(1,586,925)</u>
Other comprehensive expense for the year, net of income tax		<u>(58,944)</u>	<u>(255,250)</u>
Total comprehensive (expense)/income for the year		<u><u>(1,511,836)</u></u>	<u><u>150,736</u></u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,049,980)	414,771
Non-controlling interests		<u>(402,912)</u>	<u>(8,785)</u>
		<u><u>(1,452,892)</u></u>	<u><u>405,986</u></u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(1,111,555)	162,353
Non-controlling interests		<u>(400,281)</u>	<u>(11,617)</u>
		<u><u>(1,511,836)</u></u>	<u><u>150,736</u></u>
		<i>RMB</i>	<i>RMB</i>
(Loss)/earnings per share	<i>13</i>		
Basic		(0.28)	0.11
Diluted		<u>(0.28)</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT DECEMBER 31, 2023

	31/12/2023	31/12/2022
	RMB'000	RMB'000
Net current liabilities	<u>(9,508,171)</u>	<u>(8,327,074)</u>
Total assets less current liabilities	<u>25,285,148</u>	<u>23,550,033</u>
Non-current liabilities		
Bank and other borrowings	9,826,502	6,731,381
Deferred tax liabilities	7,292	6,192
Deferred income	728,211	619,510
Lease liabilities	1,601,913	1,425,387
Other liabilities	–	7,310
Other provisions	<u>22,535</u>	<u>9,124</u>
	<u>12,186,453</u>	<u>8,798,904</u>
Net assets	<u>13,098,695</u>	<u>14,751,129</u>
Capital and reserves		
Share capital	251	251
Reserves	<u>11,830,467</u>	<u>13,063,495</u>
Equity attributable to owners of the Company	<u>11,830,718</u>	<u>13,063,746</u>
Non-controlling interests	<u>1,267,977</u>	<u>1,687,383</u>
Total equity	<u>13,098,695</u>	<u>14,751,129</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to IAS 21	<i>Lack of Exchangeability³</i>

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

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

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

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

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Going concern assessment

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

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.

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

Fair value measurements of biological assets – milkable cows

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Provision of expected credit loss (ECL) for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in 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 include selling price, volume of sales, gross profit margin, growth rate and discount rate. The value in use requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, further impairment loss may arise.

As at December 31, 2023, the carrying amount of goodwill was RMB672,014,000 (2022: RMB792,980,000).

Estimated impairment of interests in associates

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

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

5. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

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

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

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

Information regarding segments is reported below.

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

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Segment results represent the profit before tax earned by each segment without allocation of central administration costs, corporate income and expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value gain on financial assets at FVTPL, impairment loss recognised in respect of goodwill, reversal of provision regarding the adjustments made to the consideration for acquisition of Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技術(集團)股份有限公司) (“SKX”, together with its subsidiaries, collectively, “SKX Group”), share of profit/(loss) of a joint venture, share of losses of associates and certain finance costs that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

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

Segment assets and liabilities

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

Other segment information

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

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

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

Geographic information

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

Revenue from major customers

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

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

6. COST OF SALES

An analysis of cost of sales is as follows:

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

7. OTHER INCOME

An analysis of other income is as follows:

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

Note:

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

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

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

9. OTHER GAINS AND LOSSES

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

Note:

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

10. FINANCE COSTS

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

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

11. INCOME TAX EXPENSE

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

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

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%.

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

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

12. (LOSS)/PROFIT FOR THE YEAR

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

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

13. (LOSS)/EARNINGS PER SHARE

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

	2023 RMB'000	2022 <i>RMB'000</i>
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<u>(1,049,980)</u>	<u>414,771</u>
	2023 '000	2022 '000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<u>3,795,404</u>	<u>3,795,404</u>

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

14. DIVIDEND

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

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

15. INVENTORIES

	31/12/2023 RMB'000	31/12/2022 <i>RMB'000</i>
Raw materials	4,277,546	4,440,375
Finished goods	159,809	225,568
Semi-finished goods	8,246	8,391
Breeding products	<u>59,257</u>	<u>18,450</u>
	<u>4,504,858</u>	<u>4,692,784</u>

16. TRADE RECEIVABLES

	31/12/2023 RMB'000	31/12/2022 <i>RMB'000</i>
Trade receivables	847,469	1,421,352
Less: Allowance for credit losses	(55,398)	(109,253)
	792,071	1,312,099

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

	31/12/2023 RMB'000	31/12/2022 <i>RMB'000</i>
Within 90 days	728,026	1,093,213
90 days to 180 days	47,101	155,196
181 days to 1 year	14,674	63,690
Over 1 year	2,270	–
	792,071	1,312,099

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

	31/12/2023 RMB'000	31/12/2022 <i>RMB'000</i>
Not yet past due	719,885	994,772
Past due less than 30 days	27,709	118,809
Past due more than 30 days but less than 90 days	34,477	127,386
Past due more than 90 days	10,000	71,132
	792,071	1,312,099

The above trade receivables which have been past due more than 90 days are not considered as in default because these trade receivables relate to a number of independent customers for whom there was no recent history of default and they have a good track record with the Group.

For credit-impaired trade receivables, management will assess the corresponding expected credit loss individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors by groupings of customers with similar loss patterns (i.e., by product type and customer type) taking into consideration the Group's historical default rates and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2023 <i>RMB'000</i>	31/12/2022 <i>RMB'000</i>
Classified under current assets:		
Prepayments	298,682	695,531
Value-added tax recoverable	18,629	20,416
Deposits placed with brokers for commodity forward contracts	5,090	18,429
Rental receivables	9,379	8,333
Utility and other deposits	28,507	47,120
Compensation receivable	15,039	37,083
Advances to staff	1,022	1,308
Government grants receivables	–	27,338
Other receivables	12,356	8,566
	<u>388,704</u>	<u>864,124</u>
Less: Allowance for credit losses	(8,310)	(5,659)
	<u>380,394</u>	<u>858,465</u>
Classified under non-current assets:		
Pledged receivable (<i>Note</i>)	23,758	–
Finance lease receivables	5,259	–
Utility and other deposits	12,965	–
	<u>41,982</u>	<u>–</u>

Note:

The balance represents the dividend paid by SKX to the Group through China Securities Depository and Clearing Co., Ltd. As the Group has pledged 51.73% equity interest of SKX for certain long-term bank borrowings, the relevant dividend is also pledged and will be received by the Group upon the release of the pledged equity interest.

18. TRADE AND BILLS PAYABLES

	31/12/2023 <i>RMB'000</i>	31/12/2022 <i>RMB'000</i>
Trade payables	1,348,343	2,479,966
Bills payables	764,849	208,612
	<u>2,113,192</u>	<u>2,688,578</u>

18. TRADE AND BILLS PAYABLES (CONTINUED)

An aged analysis of trade payables presented based on delivery dates:

	31/12/2023 <i>RMB'000</i>	31/12/2022 <i>RMB'000</i>
Within 1 year	1,314,807	2,401,247
1 to 2 years	15,605	47,475
2 to 3 years	2,306	8,052
More than 3 years	15,625	23,192
	<u>1,348,343</u>	<u>2,479,966</u>

The maturity period of bills payable is normally within 1 year based on the invoice dates.

19. OTHER PAYABLES AND ACCRUALS

	31/12/2023 <i>RMB'000</i>	31/12/2022 <i>RMB'000</i>
Payables for purchase of property, plant and equipment	1,187,316	1,196,639
Salaries and welfare payables	288,566	259,919
Deposits received from suppliers	163,385	177,377
Service and professional fee payables	145,755	86,559
Freight charges payables	96,373	80,401
Storage fee payables	14,083	18,681
Non-income tax related tax payables	17,885	16,766
Sundry payables and accrued expenses	69,387	55,358
Accrued listing expenses	–	1,811
	<u>1,982,750</u>	<u>1,893,511</u>

20. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, events and transactions took place subsequent to December 31, 2023 are detailed as below:

On February 19, 2024, the Company and its subsidiary Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司) (“**Inner Mongolia Youran**”) entered into the agreements with China Genetics Holdings, Ltd. (“**China Genetics**”) and its subsidiary Huaxia Genetics Dairy Xinghua Co. Ltd. (“**Huaxia Genetics**”). Pursuant to the agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 subscription shares at the subscription price of RMB1.45 per share to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase an aggregate of 78,100,000 issued shares of SKX from Huaxia Genetics, representing approximately 8.50% of the total issued shares of SKX.

The Company will indirectly hold 66.86% of the total issued shares of SKX upon completion of the above share transfer. The above transaction has been published in the Company’s announcement dated February 19, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

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

BUSINESS REVIEW

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

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

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

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Raw milk	Raw milk business	The Group provides premium raw milk and specialty raw milk to large-scale dairy manufacturers. Specialty raw milk mainly includes Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk etc.	As of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China, with a herd size of approximately 583,000 heads of dairy cows. During the Reporting Period, the Group’s raw milk production was approximately 3,020,000 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.0 tons, representing an increase of 5.3% from the period of 2022. Among them, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.3 tons. During the Reporting Period, some of the dairy goats at the dairy goat farms that the Group strategically built started to lamb, such that once the dairy goat farms are in full production and operation, our specialty raw milk offerings will be further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB12.9 billion, representing an increase of 18.9% from the period of 2022 and accounted for approximately 69.0% of the Group’s total revenue during the Reporting Period.

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Comprehensive ruminant farming solutions	Feed business	The Group provides nutrient concentrated feed and forage grass for dairy farms that meet the demands of ruminants for their growth and production, and offers ancillary ruminant farming support services, such as ruminant nutrition, breeding techniques, and ruminant healthcare for free.	As of December 31, 2023, the Group operated 15 feed mills and 15 forage grass plantation bases in China. During the Reporting Period, the Group's production of concentrated feed was nearly 1,185,000 tons; approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and alfalfa silage with 22% protein index accounting for over 35%, achieving the highest quality level of American alfalfa hay.	During the Reporting Period, revenue from the Group's comprehensive ruminant farming solutions was approximately RMB5.79 billion and accounted for approximately 31.0% of the Group's total revenue during the Reporting Period.
	Ruminant farming products marketplace business	The Group provides ruminant farming products purchased from selected suppliers, such as veterinary drugs, animal husbandry equipment and other items for dairy farms, through its online retailer platform, <i>Jumuc.com</i> , and offline ruminant farming products marketplace and offers ancillary ruminant farming support services to diversify its product offerings and further address its customers' business needs.	During the Reporting Period, the Group provided over 5,000 ruminant farming products through its online platform, <i>Jumuc.com</i> , and 27 offline pick-up stores to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	

Business Segments	Business Lines	Business Introduction	Operations	Revenue
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cows from China and overseas through its subsidiary, SKX.	As of December 31, 2023, the Group operated 3 key breeding bases. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,368,707 straws/units, among which the sales volume of sex-sorted embryos increased 270.0% as compared with that of the period of 2022, making us one of the dairy breeding companies in China that pioneered the scaled production and commercial application of high-yield dairy cow sex-sorted embryos. During the Reporting Period, the construction of key breeding bases for beef cattle with the highest standard in the country has commenced.	

I. PERFORMANCE OF EACH BUSINESS SEGMENT AND OPERATION REVIEW

(I) Raw Milk Business

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

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

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

Notes:

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

Farm overview and herd structure

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

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

Dairy farms operation management and raw milk production volume

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

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

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

- iii. Empowering business with technology. The Group continues to practice technology empowered businesses, enhancing the digitalized accurate empowerment from operational decision-making to on-site operations, and apply its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, to achieve accurate monitoring and healthcare for dairy cows. The Group continues to foster innovation in the development and application of Internet of Things (IoT) smart facilities in the dairy farming industry, comprehensively and continuously improve dairy cows welfare by applying the IoT to realize an intelligently monitored living space and production environment for dairy cows. The Group continuously established core herds with embryo technology, sex-sorting technologies, dairy cow cloning technology, genetic testing and other advanced breeding technologies. During the Reporting Period, the Group improved the operational efficiency of dairy farms and reduced operating costs by coordinating multiple systems. We upgraded the sprinkler system in cowsheds of certain dairy farms to an AI visual precision sprinkler system, which sprinkles water when there are cows present and stops when there are no cows detected, thereby maximizing water conservation, reducing heat stress in cows in summer, and improving the comfort of dairy cows. The Group conducted genetic testing on dairy cows in its self-operated dairy farms, and formulated corresponding breeding strategies based on the results of the genome test, which improved the profitability of the dairy farms. The Group conducted embryo transfer on approximately 12,000 dairy cows, which effectively improved the overall genetic level of the Group’s dairy cows, fully tapped the reproductive capacity of quality dairy cows, and greatly increased the economic benefits.
- iv. Strategically deploying new dairy farms and dairy goat farms. The Group’s existing and new dairy farms strategically planned in advance are releasing their production capacity. During the Reporting Period, 14 dairy farms in operation were newly added and some dairy goats started to lamb. After full production and operation of the dairy goat farms, the specialty raw milk offerings will be further enriched.
- v. Practicing low-carbon and environmental protection strategy. The Group proactively implements low-carbon and environmental protection strategy in dairy farms operation, actively introduces clean energy, accelerates the transformation and upgrading of energy structure, and extensively carries out energy saving and emission reduction projects. During the Reporting Period, 2 photovoltaic dairy farms had been connected to the grid and were generating electricity, 2 photovoltaic dairy farms were ready to be connected to the grid, and 4 photovoltaic dairy farms were newly contracted, which makes a total of 8 photovoltaic farm projects launched; 3 dairy farms replaced their fuel coal and biomass boilers with air source heat pumps and cumulatively a total of 53 dairy farms have completed such replacement; 19 dairy farms conducted waste heat recovery transformation and cumulatively a total of 52 dairy farms have completed such transformation. All old dairy farms have completed the waste heat recovery transformation, which has improved usage efficiency. The Group introduced new energy vehicles such as electric loaders and electric pushers, and promoted their application.

Raw milk research and development and study on dairy farming technology

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

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

(II) Comprehensive ruminant farming solutions

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

The “product + service” operation model to upgrade service strength

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

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

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

Concentrated feed business

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

Overview and distribution of concentrated feed mills

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

Concentrated feed brand building and channel expansion to upgrade brand power

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

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

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

Concentrated feed product development and technology research to promote product excellence

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

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

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

Extensively practicing lean production management to improve operational capabilities

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

Forage grass business

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

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

The Group actively undertakes experiment works of scientific and technological projects, empowering operations with science and technology. During the Reporting Period, the Group organized and carried out the implementation and mid-term acceptance of the project "Research and Integrated Demonstration of Key Production and Processing and Utilization Technology of Large-scale High-quality Alfalfa Hay (規模化優質苜蓿草關鍵生產與加工利用技術研究及集成示範)" and the open-competition project "Breeding of New Varieties of High-quality Alfalfa and Industrialization Demonstration (優質苜蓿新品種選育及產業化示範)" under the "Revitalizing Inner Mongolia through Science and Technology" campaign. It successfully applied for the open-competition projects "Key Technology Research and Demonstration of High-efficiency Water-saving in the Forage Belt of the Yellow River Basin

in Inner Mongolia (內蒙古黃河流域飼草帶高效節水關鍵技術研究與示範)” and “Screening and Cultivation of High-quality Forage Suitable for Saline-alkali Land and Key Technology Research and Demonstration of Cultivation (鹽鹼地適栽優質飼草篩選及栽培關鍵技術研究與示範)” of Inner Mongolia Autonomous Region for 2023. In addition, the Group has established the “Cooperation Platform of Five Major Scientific Research Institutes” to jointly carry out forage grass variety selection and breeding and industrialization technology R&D with the Grassland Research Institute of the CAAS, Beijing Forestry University, Inner Mongolia University, Inner Mongolia Agricultural University, and Jilin Agricultural University to improve the competitiveness of domestic forage grass.

Ruminant farming products marketplace business

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

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

Breeding Business

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

The Group accelerated its independent cultivation of world-class top-class breeding bulls and carried out strategic cooperation with the world’s leading breeding companies to secure the world’s top breeds. It has also established strategic breeding partnerships with customers, promoted the commercial application of whole genome testing in dairy farms, and combined sex-sorted embryo production and transfer technology to provide customers with precise improvement plans and establish core herds. At the same time, the Group leveraged the online platform *Jumuc.com* to improve penetration of platform customers, thereby continuously

improving the competitiveness and market share of breeding products. During the Reporting Period, the revenue from breeding business increased by 21.7% as compared with the period of 2022, and the sales volume of the breeding products increased by 11.3% from 1,230,050 straws/units in the period of 2022 to 1,368,707 straws/units, among which the sales volume of the sex-sorted embryos increased by 270.0% as compared with the period of 2022, becoming one of the breeding companies in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

Overview and distribution of breeding bases

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

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

Breeding product development and technological innovation

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

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

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

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

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

II. RESEARCH AND DEVELOPMENT STRATEGIES MANAGEMENT

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

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

III. QUALITY ASSURANCE

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

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

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

During the Reporting Period, empowered by digital technologies and the quality management information platforms, such as near-infrared database, quality information management system and EHSQ (Environment, Health, Safety and Quality) management system, the collection, transmission and analysis of the quality information along the whole chain became more intelligent and efficient. The food safety team adopted quality examine mechanism, quality alert mechanism and supplier evaluation mechanism to promote the continuous improvement of the quality assurance and risk prevention and control system. The Group

continued to strengthen the whole chain quality improvement and made great achievements in quality management and quality improvement by quickly identifying both known and unknown risks, improving quality management information system, normalizing quality assurance control points (QACP). During the Reporting Period, 23 dairy farms passed the Student Milk Dairy Farm certification, and 39 dairy farms passed the S-level (highest level) certification for Classification and Evaluation of Modern Dairy Farm, leading the industry in the number of certifications.

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

IV. PROCUREMENT STRATEGIES MANAGEMENT

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

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

V. DIGITAL MANAGEMENT

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

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

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

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

VI. BUILDING A SUSTAINABLE DEVELOPMENT MODEL

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

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

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

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

VII. PROSPECTS

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales

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

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

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

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

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

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

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

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

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

Other income

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

Impairment loss under expected credit loss model, net of reversal

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

Impairment loss recognised in respect of goodwill

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

Other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

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

Finance costs

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

(Loss)/Profit before tax

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

Income tax expense

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

(Loss)/profit for the year

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

Non-IFRSs measures

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

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

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

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

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

CASH EBITDA

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

Profit for the year (before biological assets fair value adjustments)

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

Adjusted (loss)/profit attributable to owners of the Company for the year

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

Liquidity and Capital Resources

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

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

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

Net Cash Generated from Operating Activities

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

Net Cash Used in Investing Activities

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

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

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities was RMB2,990 million, which was mainly attributable to (i) new bank and other borrowings of RMB37,627 million, (ii) repayment of bank and other borrowings of RMB32,008 million; and (iii) payments of redemption of convertible notes of RMB1,450 million.

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

Indebtedness

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

Contingent Liabilities

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

Capital Commitment

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

Pledge of Assets

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

Foreign Exchange Risk

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

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

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

Significant Investments

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, 2023) during the Reporting Period.

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and/or Disposals

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

Employees and Remuneration Policy

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

Function	Number of Staff	% of Total
Management Personnel	1,181	9.6%
Professional Personnel ^{Note 1}	1,451	11.7%
Technicians	2,842	23.0%
Skilled Personnel ^{Note 2}	6,549	52.9%
Supporting Personnel ^{Note 3}	350	2.8%
Total	12,373	100.0%

Notes:

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

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

- i. **Talent guarantee:** We established cooperation relationships with colleges to achieve the integration of industry, teaching and research and continuously introduce quality industry talents. We built a specialized, yet versatile and multi-skilled management team, continued to improve the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to enhance the support of the career development of employees on our strategy.
- ii. **Capacity building:** In order to build a talent team with strategic significance, the Group opened up a career development path that integrates employee development and talent cultivation, strengthened the “combination of training and practice”, and relied on a well-established talent cultivation system. We utilized various forms of development, such as rotation training, online classes, offline special classes, talent cooperation and overseas study, to cultivate elite talents and establish a hierarchical, branded and digitalized talent cultivation system. At the same time, we are dedicated to building a learning organization and establishing long-term strategic cooperative relationships with top experts in the industry. Regular training and evaluation are provided to employees to enhance their performance.

- iii. Organization activation and reform motivation: During the Reporting Period, we initiated a reorganization program to achieve resource integration and function refinement, enabling us to empower the business and activate the organization more effectively. Meanwhile, we continued to promote strategic performance change projects to enhance the undertaking of strategic/organizational key value and motivate employees to become outstanding value creators. In addition, we made incentives in innovation, revenue generation and cost reduction to improve non-material incentive programs.
- iv. Cultural construction: Guided by our vision, the Group formulated a strategic development direction and deepened the operation and management philosophy, as well as the staff code of conduct, so as to strengthen cultural communication, system integration, value evaluation management and innovation. The Group has established a culture assessment mechanism, enhanced cultural integration and cultural influence, and promoted the incorporation of corporate culture into the whole process of the Company's operation and management to create a cognition of culture aligned with the action, and build its irreproducible core competitiveness.
- v. Remuneration management and improvement of labor efficiency: The Group aligned position value with salary from four perspectives, namely position, performance, competence, and market, and implemented a comprehensive remuneration management system based on market changes. We continued to review and conduct lean analysis on the efficiency of job positions. Measures such as the introduction of automated equipment, changes in management mode, and the application of digital technology were implemented to further enhance the Group's per capita labor efficiency.

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

Significant Events after the Reporting Period

The Company renewed the the dairy products purchase framework agreement with Yili, the raw milk purchase and sale framework agreement with Yili and the financial services framework agreement with Yili Finance Company on April 24, 2023 and the terms of each of the aforementioned agreements commenced January 1, 2024 and will expire on December 31, 2026. Further details of the aforementioned agreements are set out in the announcement of the Company dated April 24, 2023 and the circular of the Company dated April 25, 2023.

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

Save as disclosed in this announcement, there are no other significant events that might affect the Group since December 31, 2023 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our 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 the 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.

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 Stock Exchange.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Monday, May 20, 2024. The register of members of the Company will be closed from Tuesday, May 14, 2024 to Monday, May 20, 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, May 13, 2024.

USE OF PROCEEDS

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

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

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

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

SCOPE OF WORK OF THE COMPANY’S AUDITORS

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, 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 March 27, 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.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the 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 Stock Exchange and the Company in due course.

DEFINITIONS

“AGM”	the annual general meeting of the Company to be held on Monday, May 20, 2024
“AI”	artificial intelligence
“Audit Committee”	the audit committee of the Company
“Auditor”	Deloitte Touche Tohmatsu
“Board” or “Board of Directors”	the board of Directors
“Bright Dairy”	the group of companies comprising Shanghai Bright Dairy & Food Co., Ltd. (上海光明乳業股份有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“China” or the “PRC”	the People’s Republic of China, and for the purpose of this announcement only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Company” or “our Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules (as amended from time to time)

“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Inner Mongolia Youran”	Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司), a company established under the laws of the PRC on August 1, 2007 and a subsidiary of the Company
“Junlebao Dairy”	the group of companies comprising Shijiazhuang Junlebao Dairy Co., Ltd. (石家莊君樂寶乳業有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
“period of 2022”	the year ended December 31, 2022
“Prospectus”	the prospectus of the Company dated June 7, 2021
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the year ended December 31, 2023

“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技術(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been a subsidiary of the Company since January 8, 2020
“SOP”	Standard Operation Procedure
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPM”	Total Productive Maintenance
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and one of our controlling Shareholders
“Yili Group”	Yili and its subsidiaries and associates from time to time
“%”	per cent

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

Hong Kong, March 27, 2024

As at the date of this announcement, the executive Directors are Mr. Yuan Jun and Mr. Dong Jiping; the non-executive Directors are Mr. Wu Xiang, 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.