



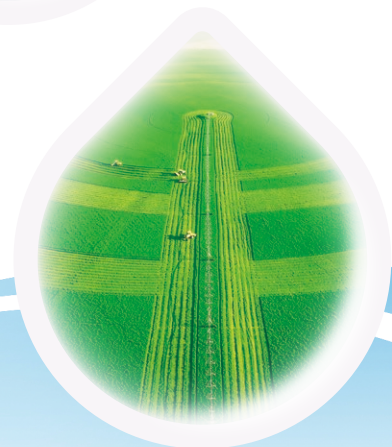
優然牧業

YOURAN DAIRY

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9858



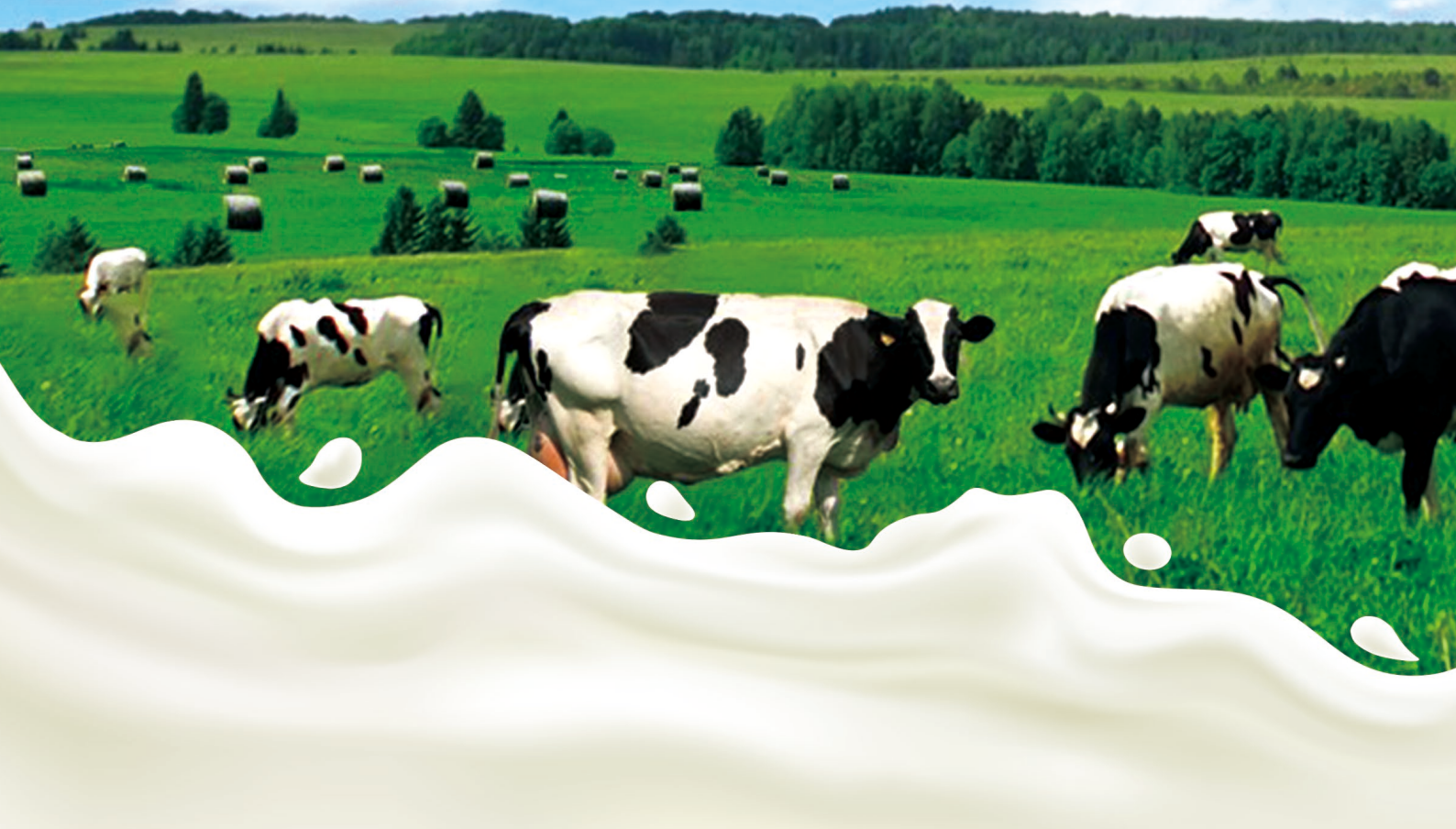
2024
INTERIM REPORT

Company Profile

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

As of June 30, 2024, the Group operated 96 dairy farms, 15 feed mills, 15 forage grass plantation bases, 3 world-leading dairy cow key breeding bases and an online dairy industry chain platform *Jumuc.com*, with a herd size of dairy cows of 601,294 heads and dairy goats of 18,688 heads. For the six months ended June 30, 2024, the Group's production of premium raw milk and specialty raw milk was 1,796,950 tons, with the specialty raw milk now including the new production and sales of goat milk in addition to Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk, etc., which further enriched the supply matrix of specialty raw milk. The Group produces 594,792 tons of concentrated feed products for dairy cows, beef cattle and mutton sheep, dairy goats, camels, yaks and other livestock species. Through its online platform, 26 offline pick-up stores and 7 county-level animal husbandry service centers, the Group covers more than 10,000 types of ruminant farming products for various core business operations of dairy farms. The sales volume of the Group's breeding products, such as common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle, amounted to 489,995 straws/units, of which the sales volume of embryos products that can improve the overall genetic level of the dairy cows increased by 132.4% as compared with that of the 2023 Interim Period, making us one of the dairy cow breeding enterprises in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Jun (袁軍) (*Chairman and President*)
(*appointed as the Chairman on June 14, 2024*)
Mr. Dong Jiping (董計平)

Non-Executive Directors

Mr. Wu Xiang (武翔) (*Chairman*)
(*resigned on June 14, 2024*)
Mr. Xu Jun (徐軍)
Mr. Yang Huicheng (楊慧成)
(*appointed on June 14, 2024*)
Mr. Xu, Zhan Kevin (許湛)
Mr. Qiu Zhongwei (邱中偉)

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)
Mr. Yao Feng (姚峰)
Mr. Shen Jianzhong (沈建忠)

AUDIT COMMITTEE

Ms. Xie Xiaoyan (謝曉燕) (*Chairperson*)
Mr. Yao Feng (姚峰)
Mr. Qiu Zhongwei (邱中偉)

REMUNERATION COMMITTEE

Mr. Shen Jianzhong (沈建忠) (*Chairman*)
Ms. Xie Xiaoyan (謝曉燕)
Mr. Xu Jun (徐軍)

NOMINATION COMMITTEE

Mr. Yao Feng (姚峰) (*Chairman*)
Mr. Shen Jianzhong (沈建忠)
Mr. Xu, Zhan Kevin (許湛)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shen Jianzhong (沈建忠) (*Chairman*)
Ms. Xie Xiaoyan (謝曉燕)
Mr. Yao Feng (姚峰)

COMPANY SECRETARY

Ms. Yu Wing Sze (余詠詩)

AUTHORISED REPRESENTATIVES

Mr. Dong Jiping (董計平)
Ms. Yu Wing Sze (余詠詩)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

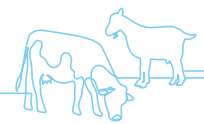
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street, Causeway Bay
Hong Kong



Corporate Information

LEGAL ADVISORS

As to Hong Kong law
Skadden, Arps, Slate, Meagher & Flom and affiliates

As to Cayman Islands law
Ogier

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

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

STOCK CODE

9858

COMPANY WEBSITE

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

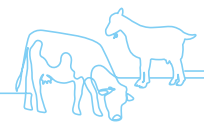
Highlights

	Six months ended June 30,		Period-on-period change (%)
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	
Revenue	10,054,941	9,076,655	10.8
Gross profit	2,848,892	2,093,170	36.1
Loss for the period attributable to owners of the Company	(330,873)	(992,017)	66.6
Non-IFRSs measures:			
Cash EBITDA ^{Note 1}	2,623,640	1,805,286	45.3
Profit for the period (before biological assets fair value adjustments) ^{Note 2}	1,804,038	1,019,399	77.0
	<i>Tons</i>	<i>Tons</i>	
Annualized average milk yield per milkable cow (excluding Jerseys)	12.6	12.2	3.3

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

Notes:

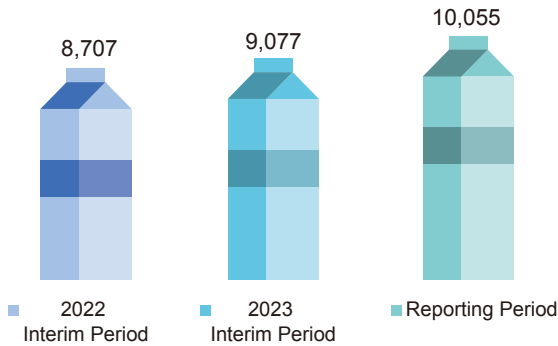
1. It represents profit for the period after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) losses arising from changes in fair value less costs to sell of biological assets, (iv) income tax expense, (v) finance costs, (vi) interest income, and (vii) depreciation and amortization charged to profit or loss.
2. It represents profit for the period excluding losses arising from changes in fair value less costs to sell of biological assets.



Highlights

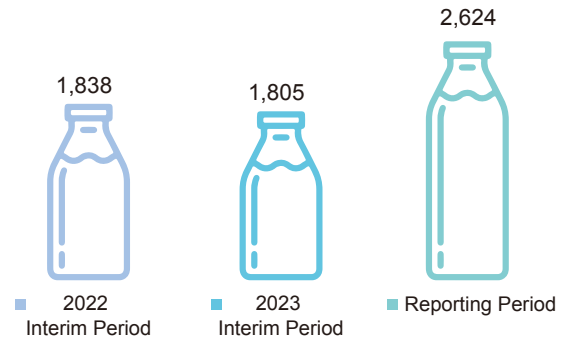
Steady growth of revenue

(RMB million)



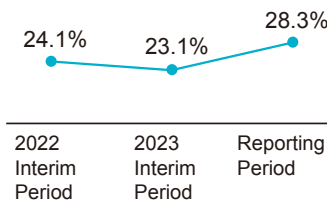
Cash EBITDA

increases significantly YOY during the Reporting Period (RMB million)



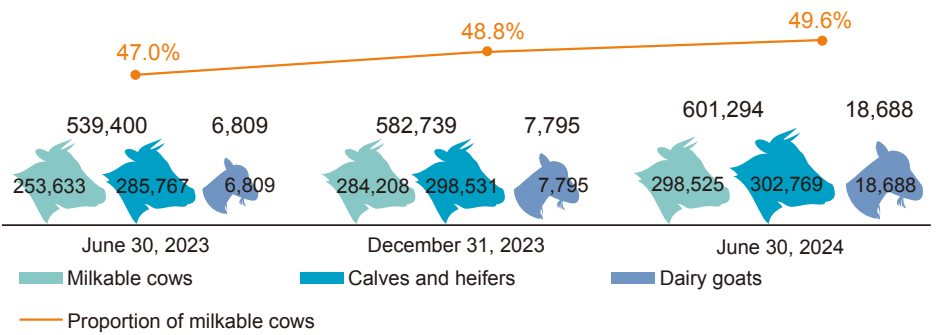
Gross profit margin

improves significantly YOY during the Reporting Period (%)



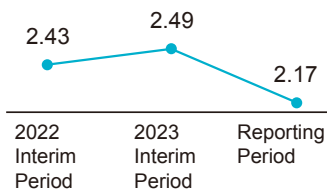
Continued expansion and optimization of herd structure

(heads)



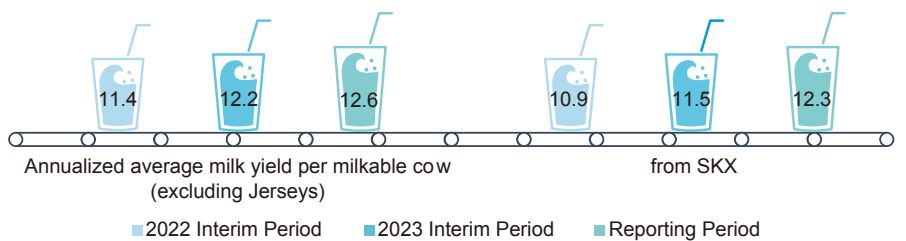
Feed cost of raw milk

declines YOY during the Reporting Period (RMB/kg)




Annualized average milk yield per milkable cow hits new high

(tons/head/year)



Distribution Map of Production Bases



96 self-operated dairy farms
Covering 17 provinces, municipalities and autonomous regions with a herd size of approximately 601,000 dairy cows and more than 18,000 dairy goats



15 feed mills
Mainly produces concentrated feed products for dairy cows, beef cattle and mutton sheep, dairy goats, camels, yaks and other livestock species, with an output of nearly 0.595 million tons during the Reporting Period



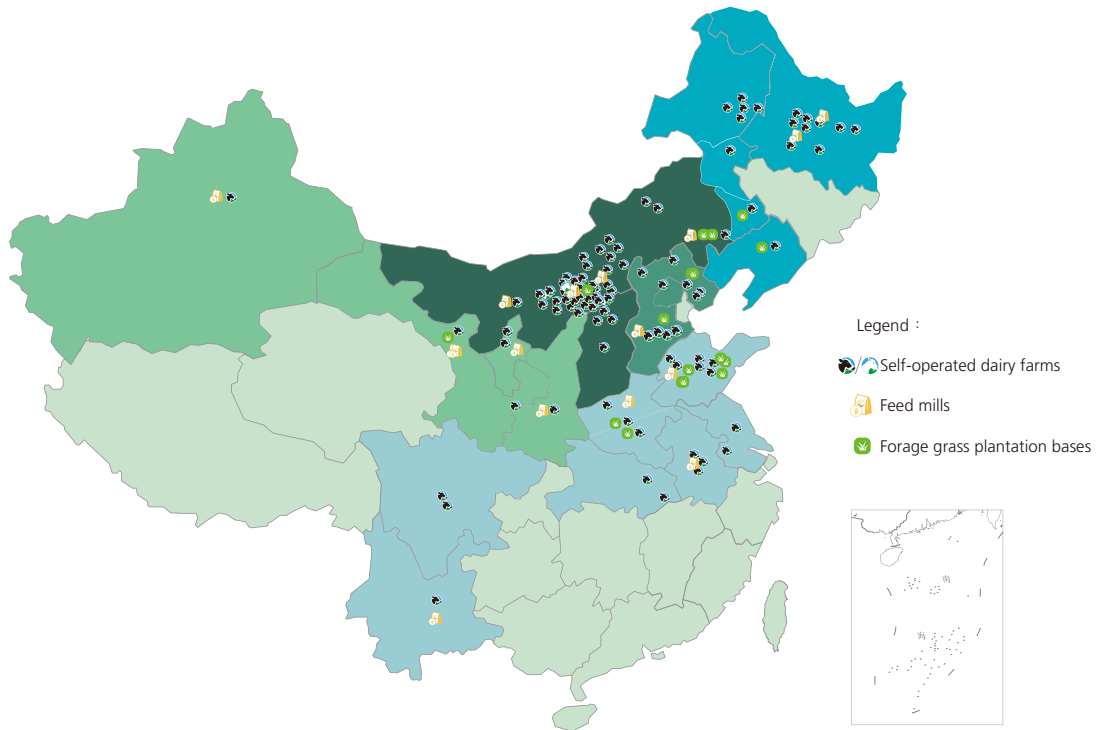
15 forage grass plantation bases
Having built forage grass plantation bases centered on Ar Horqin Banner, the China's "Grass Capital", for producing premium forage grass



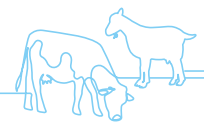
3 key breeding bases
The United States: Wisconsin
China: Horinger and Qingshuihe



1 dairy farming industry chain platform, 26 offline pick-up stores and 7 county-level animal husbandry service centers
Industry chain financial center, warehousing and logistics center, cloud innovation sharing center and global procurement center
Provides more than 10,000 types of ruminant farming products in pick-up stores, covering various core business operations of dairy farms



Production base distribution area	Quantity			
	Self-operated dairy farms	Self-operated dairy farms newly added during the Reporting Period	Feed mills	Forage grass plantation bases
Inner Mongolia Region	43	2	3	1
Northeast Region	18	1	3	4
North China Region	10	/	1	2
Central China Region	19	1	4	7
Northwest Region	6	1	4	1
Total	96	5	15	15



Management Discussion and Analysis

INDUSTRY REVIEW

During the Reporting Period, the recovery of consumption in China fell short of expectations, and the release of production capacity of new farms built in recent years increased the supply of raw milk resulting in the supply of raw milk continuing to exceed demand, and the price of milk and cattles both reaching historical lows in recent years. Demands for ruminant concentrated feed and forage grass as well as breeding products were also suppressed, but the impact of the decline in milk prices was partially offset by the cost reduction resulting from the fall in the prices of bulk raw materials. 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 RMB3.49/kg, representing a decrease of approximately 11.9% from RMB3.96/kg of the 2023 Interim Period, and the average prices of soybean meal and corn decreased by approximately 16.6% and 12.7% respectively as compared with the 2023 Interim Period. According to statistics from China Customs, during the Reporting Period, the price of imported alfalfa hay in China decreased by approximately 33.9% as compared with the 2023 Interim Period, and China imported 5.1809 million straws of frozen bovine semen, representing a decrease of 22.9% as compared with the 2023 Interim Period.

In the face of the current stage of difficulties in the development of the upstream industry of dairy products, our government has actively promoted the revitalization of the dairy industry and the support and guidance policies for the dairy industry, encouraging industry integration and herd structure upgrading. By improving industrial concentration and competitiveness, it promotes the integration of the whole industry chain, stimulates downstream consumption, and promotes the cultivation and development of new consumption scenarios, thus promoting the high-quality development of the dairy products industry.

Moreover, with the impact of tightened national land policy, increased environmental protection requirements and other factors, the industry barriers to dairy farming continue to build up. Meanwhile, with the demand for technology, economy and efficiency optimization in large-scale dairy farming and the support and guidance of national policies, large-scale dairy farming technology groups that operate in an intelligent 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.

Management Discussion and Analysis

BUSINESS REVIEW

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

During the Reporting Period, the Group actively responded to industry challenges and achieved breakthroughs through technological empowerment. The Group continued to promote the implementation of lean operations and the practice of digital management to further enhance operational efficiency, accelerated the construction of high-yielding core herds to enhance production performance, explored potential from multiple dimensions to reduce costs and increase efficiencies, continuously innovated and upgraded its product structure, actively promoted the development of industrial ecological model of county-level animal husbandry service centers, vigorously explored the development of the online platform *Jumuc.com* and offline pick-up store channels, optimized marketing strategies and strengthened the “product + service” strategy. As a result, the Group’s revenue increased by 10.8% from RMB9,077 million for the 2023 Interim Period to RMB10,055 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, organic Jersey milk and dairy goat milk etc.	As of June 30, 2024, the Group operated 96 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China, with a herd size of over 600,000 heads of dairy cows and a herd size of over 18,000 heads of dairy goats. During the Reporting Period, the Group’s raw milk production was approximately 1,796,950 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 3.3% from the 2023 Interim Period. Among them, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.9 tons. The pure Saanen dairy goats imported by the Group from New Zealand and Australia started to produce dairy goat milk, and our specialty raw milk offerings were further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB7.32 billion, representing an increase of 18.9% from the 2023 Interim Period and accounted for approximately 72.8% of the Group’s total revenue during the Reporting Period.



Management Discussion and Analysis

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Comprehensive ruminant farming solutions	Feed business	The Group provides nutrition 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.	As of June 30, 2024, 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 594,792 tons; around 60% of the quality of the alfalfa hay grown in our forage grass plantation bases was supreme and higher, and alfalfa silage with 22% protein index accounting for over 85%, achieving the highest quality level of American alfalfa hay.	During the Reporting Period, revenue from the Group's comprehensive ruminant farming solutions was approximately RMB2.73 billion and accounted for approximately 27.2% 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 platform, <i>Jumuc.com</i> , and offline pick-up stores 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 10,000 ruminant farming products through its online platform, <i>Jumuc.com</i> , 26 offline pick-up stores and 7 county-level animal husbandry service centers to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cows in China and overseas through its subsidiary, SKX.	As of June 30, 2024, the Group operated 3 key breeding bases. During the Reporting Period, the sales volume of the Group's breeding products was approximately 489,995 straws/units, among which the volume of sex-sorted embryos increased 132.4% as compared with that of the 2023 Interim Period, making us one of the dairy cow 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 key breeding bases for beef cattle with the highest standard in the country of the Group had introduced high-quality, first-class pedigree Simmental dairy cows.	

Management Discussion and Analysis

I. PERFORMANCE OF EACH BUSINESS SEGMENT AND OPERATION REVIEW

(I) Raw Milk Business

The Group has established long-term and stable relationships with large dairy manufacturers in the PRC. Benefiting from the steady growth of the Chinese economy, large dairy manufacturers collaborated closely with upstream dairy enterprises 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:

	As of June 30, 2024	As of December 31, 2023	Change (%)
Number of self-operated dairy farms ^{Note 1}	96	91	Increased by 5 farms
Number of dairy cows (in heads)	601,294	582,739	3.2
Including: Milkable cows	298,525	284,208	5.0
Calves and heifers	302,769	298,531	1.4
Proportion of milkable cows in the herd size of dairy cows	49.6%	48.8%	Increased by 0.8 percentage points
Herd size of dairy goats (in heads)	18,688	7,795	139.7

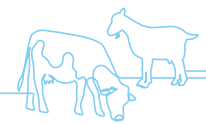
Note:

- Includes one newly operated dairy goat farm with a planned herd size of 50,000 heads, which is currently the biggest dairy goat milk farm in China and is about to be a world-class breeding goats farm.

	For the six months ended June 30,		Period-on- period change (%)
	2024	2023	
Raw milk production volume (in tons)	1,796,950	1,437,138	25.0
Raw milk sales volume (in tons)	1,761,331	1,402,485	25.6
Average price of raw milk (RMB/kg)	4.16	4.39	(5.2)
Annualized average milk yield per milkable cow (excluding Jerseys ^{Note 1}) ^{Note 2} (in tons)	12.6	12.2	3.3
Including: SKX (in tons)	12.3	11.5	7.0

Notes:

- 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.
- For the six months ended June 30, 2024, the statistical caliber of the annualized average milk yield per milkable cow is the raw milk production volume during the Reporting Period divided by the cumulative feeding days of milkable cows during the Reporting Period and multiplied by 366 days.



Management Discussion and Analysis

Farm overview and herd structure

As of June 30, 2024, the Group operated 96 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China. The number of dairy cows of the Group increased by 3.2% from 582,739 as of December 31, 2023 to 601,294 as of June 30, 2024, including 298,525 milkable cows, accounting for 49.6% of the total number of the Group's dairy cows, increasing by 2.6 percentage points as compared with 47.0% as of June 30, 2023, and increasing by 0.8 percentage points as compared with 48.8% as of December 31, 2023. As of June 30, 2024, the number of dairy goats was 18,688, including 6,582 milkable goats, 11,545 young female goats and female goat lambs, as well as breeding goats, young male goats and male goat lambs amounting to 561. The optimization of herd structure has laid the foundation for the Group to further enhance its profitability.

Dairy farms operation management and raw milk production volume

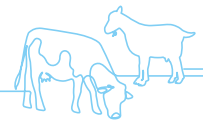
The Group's raw milk business, empowered by its technological strategic transformation, the effective promotion of lean management and the efficient synergy of its various businesses, adhered to high yield and longevity, precise feeding and utilized the advantages of breeding technology, resulting in a significant improvement in the operational efficiency of dairy farms. During the Reporting Period, the Group's raw milk production amounted to 1,796,950 tons, representing an increase of 25.0% from 1,437,138 tons for the 2023 Interim Period. During the Reporting Period, the Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 3.3% from 12.2 tons for the 2023 Interim Period. The Group's dairy farms (excluding SKX), which produces premium raw milk, recorded an annualized average milk yield per milkable cow of 12.9 tons.

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, extensively practice lean production management, strictly implement SOP feeding management process standards and enhance standardized operation of employees. The Group also steadily enhanced cow welfare and improved cow health to realize cost reduction and efficiency enhancement. During the Reporting Period, the Group achieved multi-dimensional improvements in its unit production of milkable cows and feed conversion efficiency and enhanced its organizational and operational capabilities by applying the tools, methods and expertise of TPM as well as focusing on the key influencing factors. Among which, Dayang Ranch successfully passed the preliminary audit by the Japan Institute of Plant Maintenance (JIPM) for the Award for Excellence in Consistent TPM Commitment.
- 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 precise nutritional formulas, usage of self-developed feed products, customization of premixes and functional products, and R&D and application of core technologies and products, namely "Lv Mu You Jia (綠牧優加)", for carbon reduction in ruminants. The Group also improved the production performance of its cow herd by implementing various measures including embryo transfers, identification of the cow herds with high unit-production and low emission as well as herd breeding.

Management Discussion and Analysis

- iii. Empowering business with technology. The Group continues to practice technology empowered businesses, enhancing the digitalized accurate empowerment from operational decision-making to on-site operations, and apply its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, to achieve the digital management of dairy cows for a full lifecycle and 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, and 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, 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 upgrading and renovating the identification system for milking parlors, estrus monitoring equipment, intelligent robots treatment system for bio-fermentation manure, improving the feeding reports of the “Intelligent Farm Cloud” and implementing the coordination of nutrition formulas and feed management for projects management. We upgraded the sprinkler system in cowsheds of 20 dairy farms to a self-developed 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 formulated corresponding breeding strategies based on the results of the genome test, which improved the profitability of the dairy farms. The Group also conducted embryo transfer on over 8,000 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. The production capacity of strategically placed new dairy farms and a dairy goat farm has started to be released. During the Reporting Period, the Group put 5 new dairy farms into operation, including 1 organic dairy farm and 1 dairy goat farm, which further enriched the specialty raw milk offerings of the Group.
- 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, a total of 8 photovoltaic farm projects was launched, of which 5 farms achieved the self-use of green power, facilitating the replacement of fuel coal and biomass boilers with air source heat pumps. All old dairy farms completed the waste heat recovery transformation, which improved the energy usage efficiency. The Group introduced and promoted the application of new energy vehicles such as electric loaders and electric pushers as well as new energy-saving and high-efficiency livestock fans to accelerate the transformation of energy structure. During the Reporting Period, our farm in Pingdingshan was awarded the certification of low-carbon breeding for farms.



Management Discussion and Analysis

Raw milk R&D and study on dairy farming technology

The Group, based on its own dairy nutrition database, has established a leading domestic R&D platform focusing on herd 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 herds, and carried out feeding trials on its own farms to continuously enhance the production efficiency of herds, 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 expanded its production capacity of organic milk and newly produced and sold goat milk, which further enriched our specialty raw milk offerings. In addition, by carrying out projects to improve feed conversion efficiency, nutritional control technologies for primipara cows, projects to enhance protein digestibility efficiency from raw materials, research on the impacts of fatty acid nutrition on the productivity of dairy cows and the modulation of dairy cow feeding, the Group has improved the feed conversion efficiency of its dairy cows, and decreased the operational costs of dairy farms while safeguarding the health and extending the lifespan of our herds.

The Group has been continuously conducting research on carbon emission reduction technologies in the livestock breeding process and establishing a low-emission model for dairy cows. During the Reporting Period, the Group has carried out methane emission monitoring using the GreenFeed ruminant monitoring equipment for dairy cows, constantly calibrating the parameters of the prediction model for dairy cow methane emissions. The research on feed additives that reduce rumen methane emission for dairy cows in cooperation with Inner Mongolia Agricultural University (內蒙古農業大學) has progressed effectively, with carbon-reducing and production-enhancing feeds being launched, and related in vivo and in vitro carbon footprint certifications being completed. Nine high-yielding corn varieties with high starch content and high conversion rates were selected to be promoted to large-scale cultivation among domestic suppliers. In collaboration with the Chinese Academy of Agricultural Sciences, the Chinese Research Academy of Environmental Science, the Group has successfully applied for the major science and technology special project "Efficient Treatment and Diversified Resource Utilization of Manure Water from Intensive Dairy Farming Bases (《奶牛集約養殖基地糞水高效處理與多元資源化利用》)" under Hohhot's "open competition mechanism", with a focus on efficient treatment and resource utilization technologies for solid-liquid fertilizers, risk assessment for returning to the field, and carbon emission verification throughout the full lifecycle of dairy farming. In conjunction with the Chinese Academy of Agricultural Sciences, the Group has completed the research project "Research and Application of Comprehensive Technologies on Carbon Neutralization and Carbon Emission Reduction in Large-scale Dairy Farming (《規模化牧場養殖過程碳中和、碳減排綜合技術研究與應用》)" under the national campaign of "Revitalizing Inner Mongolia through Science and Technology", laying the foundation for carbon reduction in the manure treatment process of the Group's dairy farming.

Management Discussion and Analysis

(II) Comprehensive Ruminant Farming Solutions

The Group deeply believes that high-quality grass, high-quality feed and quality breeding products are fundamental guarantees for the health and high milk yield of dairy cows. Benefiting from the improvement of large-scale dairy farming and farming techniques of China's herd farming, 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

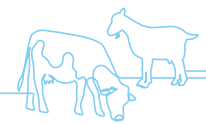
The Group provides high-quality feed covering the full lifecycle of ruminants, focuses on developing high-tech products such as premixes and functional feed, cultivates ruminant farming products of its own brand, creates breeding products with core competitiveness, continuously improves the quality and 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 to gather technical services and nearly 200 highly skilled talents with dairy farm management experience 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 created data-driven solutions through innovation in technical services and introduction of best practices, assisted customers in establishing and improving data-based monitoring of cattle feeding processes, practiced lean operation and management mode, and enhanced the efficiency of customers' cattle feeding so as to continuously improve production efficiency. At the same time, the Group introduced the latest technology and knowledge, and provided the latest concepts of dairy cow nutrition regulation, feeding management and technology to farm managers through organizing technical seminars, training and sharing of outstanding cases, which effectively helped our customers to manage their farms more effectively and improve production efficiency.

Concentrated feed business

The Group currently owns ten 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 developing 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's sales volume of concentrated feed was 476,865 tons, representing an increase of 6.1% as compared with 449,310 tons in the 2023 Interim Period.



Management Discussion and Analysis

Overview and distribution of concentrated feed mills

The Group processes and produces concentrated feed through “self-construction dairy farms and cooperation with third parties”. As of June 30, 2024, the Group operated 15 feed mills in China, with an annual feed production capacity of 1.81 million tons. During the Reporting Period, the Group’s concentrate feed production amounted to 594,792 tons, representing an increase of 2.6% from 579,660 tons for the 2023 Interim Period. The Group’s newly built feed mills that have been put into production and operation are all equipped with state-of-the-art equipment and facilities as well as high-end technologies, laying a solid foundation for the steady improvement of the efficiency of the Group. Moreover, the premix production plant in Ulaanchabu, which was put into operation in 2021, adopts the process equipment standard for infant milk powder for the production of premixes, with a product accuracy of up to 0.1%, and passed the certification audit of FAMI-QS (Feed Additives and Premixtures Quality System) in July 2024, providing more precise and high-quality solutions for the industry’s nutritional needs in the era of high yield productivity. During the Reporting Period, the Group’s feed mills introduced fully automated packing production systems and micro-dosing systems, etc., which, combined with the “deep integration of ERP system and central control system”, realized the automation and intelligence of the production process and promoted the comprehensive optimization of the business chain, bringing significant competitive advantages to the Group. In addition, Inner Mongolia Muquan Yuanxing Feed Co., Ltd.* (內蒙古牧泉元興飼料有限責任公司), a subsidiary of the Group, has been awarded a carbon neutral certificate by CTC for the introduction and application of green power through photovoltaic power generation, becoming the first “zero-carbon factory” in China’s feed industry.

Concentrated feed brand building and channel expansion

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 initiated a series of brand activities around the “Dual Carbon” strategy, including establishing the first “zero-carbon factory” in China’s feed industry and convening the first national new product launch of carbon-reducing and production-enhancing feeds, allowing the “Dual Carbon” strategy and products to create brand influence in the industry and society; at the same time, by leveraging the brand system and engaging in precise and multi-channel advertising and brand promotion, the Group promoted the brand’s social influence, created a brand effect, and collaborated with channel expansion to coordinate marketing activities and rapidly establish brand awareness, so as to continuously expand the brand market influence of the Group’s feed business and gradually improve the market share.

Management Discussion and Analysis

In terms of channel expansion of the feed business, the Group promoted the continuous increase in the market share of dairy feed products by launching channel cooperation enhancement plan and a “one case per farm” customized solution; planned the “Thousand-Ton Initiative” for beef cattle and sheep, and promoted the channel expansion of beef cattle and sheep feed products by establishing SOP standardized process for beef cattle nutrition and creating benchmark beef cattle farms and other series of activities, leading to an increase of 38% in the Group’s sales volume of beef cattle feed during the Reporting Period as compared to the 2023 Interim Period; and reached strategic cooperation with Fuping County, Shaanxi in the meantime to promote the channel expansion of dairy goat feed products. In addition, the Group has established county-level animal husbandry service centers in Inner Mongolia, Shandong, Gansu and other places, and facilitated the connection of nodes in the chain through online + offline integrated development, solving the industry pain point of the “last-mile” delivery and promoting the high-quality development of the industry.

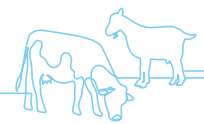
Concentrated feed product development and technology research to promote product excellence

The Group continues to innovate and upgrade a wide range of concentrated feed products under its ten 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. During the Reporting Period, the Group developed and launched “Lv Mu You Jia” product, a brand of carbon reduction and production-enhancing feed for ruminants, which possesses double high value. The research and development results of the product have been published in three papers in journals included in the international Science Citation Index (“SCI”) and domestic core journals, which have been fully recognized by the authoritative certification bodies, and will accelerate the progress of the “Dual Carbon” goal for the dairy industry of the PRC.

During the Reporting Period, in terms of dairy feed, focusing on the core demand for reducing costs and increasing efficiency for dairy farms, the Group enhanced the conversion efficiency and optimized the formula by introducing new products of 20% and 30% high-yield concentrates, upgrading lactation concentrates to premixes and other measures, thereby realizing the reduction of feeding costs; upgraded the calf products, addressed its diarrhea issues, and at the same time, further upgraded the breeding cow feeds, optimized trace minerals and increased the proportion of new raw material usage, thereby achieving cost reduction and efficiency enhancement. In terms of beef cattle and sheep feed, the Group launched the lamb concentrate supplement 5117S, mutton sheep premix 5404, beef cattle 12% concentrates, mutton sheep 30% and 50% fattening feed and other products, and optimized the formula’s palatability and raw material composition, achieving weight gain while controlling customer costs. In terms of camel feed, the Group launched the camel lactation feeds 4820 and 4818, which supplement nutritional intake, optimize energy levels, and achieve an increase in milk yield and milk quality indicators.

Extensively practicing lean 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 promoted supply chain improvement to reduce the total product cost; improved the product cost competitiveness, and deeply implemented the sales operations pillar, expanding the lean method to customers, and establishing a good reputation for lean service; actively developed raw materials, strengthened the use of cost-effective raw materials, and introduced new technologies for process innovation to improve product effectiveness, and made effective progress in reducing product formula costs.



Management Discussion and Analysis

Forage grass business

The Group laid out premium forage grass plantation bases centred on Ar Horqin Banner, the China's "Grass Capital", and achieved long-term sustainable development of the integrated plantation and dairy farming model based on the synergies between the livestock breeding and forage grass business segments. The Group established ancillary forage grass plantation bases in proximity to our dairy farms and 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 standards, and has made outstanding achievements in variety selection, standardized plantation, efficient and water-saving irrigation, alfalfa regreening, afforestation and sand fixation, plant diseases and pests' prevention and control, as well as soil testing formulas for fertilization to become a leading high-quality forage grass plantation enterprise in China.

During the Reporting Period, around 60% of the quality of the alfalfa hay grown in our forage grass plantation bases was supreme and higher, and the percentage of alfalfa silage protein index of 22% reached over 85%, 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, through which the overall re-greening rate of the Group's alfalfa hay reached over 88%, 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. The Group continually optimized the technical standards of the integrated plantation and dairy farming model, achieved standardized operations for water and fertilizer integration, and implemented no-tillage carbon sequestration seeding operation in about 65,300 mu of land. The Group applied the industry's first SOP management system for alfalfa hay cultivation, achieving standardized management throughout the whole process. The Group developed and applied the large-scale alfalfa and oat intercropping technology to effectively reduce the production and operation costs and improve the efficiency of land use.

The Group actively undertakes experiment works of scientific and technological projects, empowering operations with science and technology. The Group continually organized and carried out the projects including "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)", "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)", "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)" under the "Revitalizing Inner Mongolia through Science and Technology" campaign.

Management Discussion and Analysis

Ruminant farming products marketplace business

As of June 30, 2024, the Group provided over 10,000 ruminant farming products for customers through the online platform, *Jumuc.com*, 26 offline pick-up stores nationwide and 7 county-level animal husbandry service centers, involving various core business operations of dairy farms.

Revenue from the Group's dairy farming products business increased by 24.6% from RMB186 million in the 2023 Interim Period to RMB232 million during the Reporting Period, such increase was mainly attributable to:

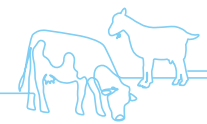
- (i) Integration of strengths in the industrial chain, expansion of new business and creation of private label products. The Group established a new sales model for vaccines, expanded agricultural sales channels, joined hands with more than 10 famous domestic and overseas suppliers to build its own branded products and established an agency cooperation model. During the Reporting Period, the Group listed its own branded medicated bath liquid "Juwaidian (聚威典)", and initiated regional agency cooperation with strategic suppliers in order to build up core competitiveness of its products;
- (ii) Ensuring product quality and optimizing the mobile experience and responsive design of *Jumuc.com*. The Group comprehensively controls the quality of its business and enhances the credibility of its platform and the transparency of its product information so as to increase customer trust. At the same time, through the development of mobile applications, the addition of mini programs for mobile use and responsive design, the Group optimizes user experience and enhances the quality and efficiency of the platform's entire supply chain.

Breeding Business

The Group offers high-quality domestic and overseas regular frozen bovine semen for dairy cattle and beef cattle, 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 the sex-sorted embryo production and transfer technology of dairy cows 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, due to short-term industrial factors, the sales volume of the breeding products of the Group decreased by 27.3% from 673,597 straws/units in the 2023 Interim Period to 489,995 straws/units during the Reporting Period, however, the Group actively adjusted the structure of breeding products, among which the sales volume of the embryos products that can improve the overall genetic level of dairy cows increased by 132.4% as compared to the 2023 Interim Period. During the Reporting Period, the Group produced over 10,000 sex-sorted breeding embryos of dairy cows and became one of the breeding companies in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.



Management Discussion and Analysis

Overview and distribution of breeding bases

The Group is operating a total of three breeding farms of dairy cows in Inner Mongolia, China and Wisconsin, the United States, of which the one operating in Inner Mongolia is a core breeding farm 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 introduced 172 heads of high-quality, first-class pedigree Simmental dairy cows from Australia, New Zealand and other countries to the beef cattle core breeding base with the highest standards in China, which, upon put into production and operation, 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, 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 cattle and dairy goats, enhancing the diversity and market competitiveness of the breeding products.

Relying on the efforts of its independent R&D technology team, during the Reporting Period, the Group successfully applied for the invention patent of Bovine-induced Expanded Pluripotent Adult Stem Cells, Lineage Construction Method and Culture Solution (《牛誘導擴展多能性成體幹細胞、建系方法及培養液》), which can be applied to gene editing, function regulation and other biological breeding as well as medical fields, etc. At the same time, the research results of shortening the early pregnancy detection time and improving the in vitro embryo production efficiency of dairy cows have been published in a number of papers in core journals in China. In addition, the Group has also carried out a simultaneous evaluation of the domestic breeding of Holstein-Friesian, and has successfully screened 18 cows with a value of the genome composite breeding index (“GCPI”) of Chinese dairy cows of more than 2,900, thus laying the foundation for the Group to breed its own breeders in the future. In addition, the Group also actively researched on the expansion of the range of dairy cows using sex-sorted frozen semen, the development of frozen diluent for semen of dairy goats and other fields.

Through the Group’s continuous investment and the development and application of core technologies, and according to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in April 2024, the Group has bred the 1st-ranked to 8th-ranked dairy breeding bull among the genomic bulls from China registered with the American National Association of Animal Breeders. Also, 57 of its breeding bulls are ranked among the top 100 in China.

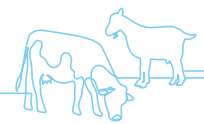
Management Discussion and Analysis

II. RESEARCH AND DEVELOPMENT STRATEGIES MANAGEMENT

Leveraging nearly four decades of experience in operation and research, and its own breeding sources of over 600,000 dairy cows and over 18,000 dairy goats, the Group has been committed to the R&D efforts of the whole industry chain in the upstream dairy industry, mainly including research on herd 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. In particular:

- i. The reserve of core technology R&D talent and technology pool. As of June 30, 2024, 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, the Group obtained 85 core patented technologies, covering each of our business lines. During the Reporting Period, the Group participated in the formulation of 3 local standards;
- ii. Enriching its specialty raw milk offerings and comprehensive ruminant farming solutions. During the Reporting Period, the Group began to produce and sell goat milk to further enrich the specialty raw milk offerings, and has currently developed and launched 8 specialty raw milks, which, benefiting 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, heat stress resistant perinatal feed, low-carbon and high-yield feed products;
- iii. Promoting the research on the transformation and application of technology and R&D achievements surrounding the key technical issues in the upstream industry chain of the dairy industry. The Group has built a leading ruminant nutrient database in China and developed leading genetic improvement technology and sex-sorting technology. The Group explored new farming models and methods, developed and promoted new technologies for the deep processing and utilization of forage grass products. During the Reporting Period, the Group established extensive cooperation with renowned colleges and research institutions, continually promote 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.



Management Discussion and Analysis

III. QUALITY ASSURANCE

Sticking to the mission of “Creating the Source Power for the Healthy Life of Human Beings with Quality” and carrying forward the management concept that quality is life, the Group focuses on consolidating the foundation for quality management through three cores, namely quality culture, full-chain quality management and high-quality products. The Group continuously promotes the implementation of the quality management system among all the staff, during the full process and in all aspects and adheres to “high quality, high standards and high requirements” for the production process to guarantee product quality.

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 (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 applied 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). 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.

Management Discussion and Analysis

IV. PROCUREMENT STRATEGIES MANAGEMENT

The Group applies a “full lifecycle” supplier management system which mitigates the procurement risk on bulk raw materials and further reduces 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 67 strategic collaboration projects with 18 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.

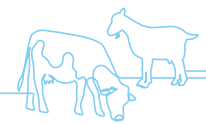
The Group identified its core cost reduction initiatives and actively explored new procurement models to achieve cost savings through a variety of measures across multiple categories. During the Reporting Period, the prices of bulk raw materials were in a downward trend. The Group precisely controlled the procurement rhythm by strengthening the supply chain process control such as procurement frequency, procurement planning and production and sales planning, etc., and minimized the procurement costs of raw materials through various measures such as rolling down of raw material prices and expansion of channels for imported raw materials, etc., so as to enhance the competitiveness of the Company’s procurement costs in the market.

In terms of strategic project advancement, the Group has promoted the establishment of sustainable relationships with suppliers, and joined hands with some strategic suppliers to promote deforestation-free soybean meal cooperation projects and realize low-carbon farming. Starting from May 2024, the Group’s Chilechuan Ecological Intelligent Dairy Farm has been using certified deforestation-free soybean.

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, human resources sharing platform, EHSQ management system, the *Jumuc.com* platform and other digital assets. Also, through integration and governance mechanisms, 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.

The Group took the lead in the industry to build a “fully intelligent unmanned barn”, which adopted fully intelligent unmanned milking robots, feeding robots, material pushing robots, dung cleaning robots, an all-weather cow feeding total mixed ration (TMR) hatching system and an 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.



Management Discussion and Analysis

During the Reporting Period, the Group carried out various digitalization practices through integration and governance mechanisms, independently developed “Livestock Early Warning System”, “Raw Material Cost Performance Dynamic Calculation Platform”, “AI Precision Sprinkler System”, “Youyi Raw Material Trading Platform” and “Youchuang Platform”. Leveraging the “Deep Integration of ERP System and Central Control System” and big data platform and algorithm model and intelligent AI equipment, the Group gradually achieved the automation of data collection, unmanned operation and remote management in dairy farming, promoted the comprehensive optimization of business chain, and achieved the automation of enterprise scheduling, intelligent operation prediction, and flexibilization of production management, etc.

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 asset development, the Group has completed the carbon asset development plan and actively promoted the development of carbon assets. During the Reporting Period, the biogas project of the dairy farm in Jinan was approved by the official technical audit of the Verified Carbon Standard (VCS) and successfully issued, and the Group was granted with 49,600 tons of carbon credits. 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 fulfills its social responsibility by solving the employment problems of the farmers and herdsmen in the vicinity, and actively utilizes its industrial and technological advantages to drive the farmers and herdsmen to increase their income and enhance the quality and value of agricultural products. During the Reporting Period, the Group implemented the “Straw to Milk” program to realize “Straw to Money”, which effectively drove the farmers and herdsmen in the vicinity to increase their income; provided organic fertilizers free of charge to local farmers to improve the soil structure and enhance the quality of agricultural products; and screened out high-yield, highly digestible varieties of silage and promoted them free of charge to the farmers in the vicinity to enhance the starch content of the purchased silage corn and its conversion rate, and to promote the increase in income of the farmers at the same time.

Management Discussion and Analysis

During the Reporting Period, the Group's sustainable development strategies and practices were recognized by various parties. In response to the S&P Global Corporate Sustainability Assessment (CSA) questionnaire, the Group's score increased by 13 points compared with the previous year, and ranked first among the upstream enterprises in the dairy industry in China. With the excellent results achieved in the CSA questionnaire, the Group was successfully selected in the Sustainability Almanac (China Edition) 2024 (《可持續發展年鑒(中國版)2024》) of S&P Global and was also the only company in the food industry recognized as the "Best Progress Enterprise in the Industry (行業最佳進步企業)".

VII. PROSPECTS

With the further strengthening of the internal driving force of economic growth, consumption upgrading and the arrival of the era of national health, China's dairy product consumption is expected to continue to grow. 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 continuous downward trend, bringing cost advantages to dairy farming. 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. In particular, the raw milk business will focus on building high-yield benchmark farms, reducing the cost of raw milk per kilogram, increasing the yield and profit per cow from the implementation of precise nutrition, waste reduction and diversification of feed ingredients, strengthening technology-empowered business, building smart farms, independently developing high-value digital intelligent systems/equipment, enhancing the efficiency of production and operation of its own farms, and empowering the industry. The feed business will expand the market, provide systematic solutions to customers through the "product + service" model, enhance the profitability of customers, and tide over the difficulties of the industry with customers, continue to deepen the model of county-level animal husbandry service centers, and build the ecology of the industrial chain; the grass business will improve the quality, production and conversion rate of forage; the breeding business will breed breeding cattle of excellent quality and produce high-quality and low-cost frozen semen and embryos. The Group will continue to consolidate and expand its long-term advantages of "the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout and high-efficiency operation" to promote the sustainable and high-quality development of the Group and to create value for customers, Shareholders, employees and the society, thus contributing to the revitalization of China's dairy industry.



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased by 10.8% from RMB9,077 million for the 2023 Interim Period to RMB10,055 million for the Reporting Period.

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

	For the six months ended June 30,	
	2024 (RMB'000) (unaudited)	2023 (RMB'000) (unaudited)
Raw milk	7,320,419	6,156,918
Comprehensive ruminant farming solutions	2,734,522	2,919,737
Total	10,054,941	9,076,655

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

Our revenue generated from raw milk increased by 18.9% from RMB6,157 million for the 2023 Interim Period to RMB7,320 million for the Reporting Period, which was mainly due to the increase of 25.6% in the sales volume of our raw milk from 1,402,485 tons for the 2023 Interim Period to 1,761,331 tons for the Reporting Period as a result of continuous improvement in the milk yield per milkable cow and the continuous optimisation of the herd structure, and the decline in the price of raw milk resulting from the temporary unbalance of the supply and demand in domestic raw milk, with the average unit price of raw milk of the Group was RMB4.16/kg for the Reporting Period, representing a decrease of 5.2% as compared to RMB4.39/kg for the 2023 Interim Period.

Our revenue generated from comprehensive ruminant farming solutions decreased by 6.3% from RMB2,920 million for the 2023 Interim Period to RMB2,735 million for the Reporting Period, which was mainly due to the impact of the dairy industry environment. The Group strictly controlled the costs, and promptly and proactively adjusted its sales strategy, leading to a lower income.

Management Discussion and Analysis

Cost of sales

Our cost of sales increased by 9.1% from RMB8,552 million for the 2023 Interim Period to RMB9,328 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 six months ended June 30,	
	2024 (RMB'000) (unaudited)	2023 (RMB'000) (unaudited)
Raw milk	4,945,594	4,413,582
Comprehensive ruminant farming solutions	2,260,455	2,569,903
Total	7,206,049	6,983,485

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 raw milk business before raw milk fair value adjustments increased by 12.1% from RMB4,414 million for the 2023 Interim Period to RMB4,946 million for the Reporting Period, which was primarily due to the previous 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 RMB2.17/kg, representing a decrease of 12.9% from the 2023 Interim Period, which was primarily due to the Group's enhanced lean operation management, continuous improvement in feed conversion rate and unit yield, and precise control of the procurement timing through supply chain process management, which maximized the reduction of raw material procurement costs.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments decreased by 12.0% from RMB2,570 million for the 2023 Interim Period to RMB2,260 million for the Reporting Period, which was primarily due to the Group's strengthened lean operation management, active development of new raw materials, increase in the use of cost-effective raw materials, and precise control of the procurement rhythm to maximize the reduction in raw material procurement costs, and the effective progress in cost reduction of product formula.

Fair value adjustment on agricultural produce included in cost of sales increased by 35.3% from RMB1,569 million for the 2023 Interim Period to RMB2,122 million for the Reporting Period.



Management Discussion and Analysis

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 RMB1,569 million for the 2023 Interim Period and RMB2,122 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 included in profit or loss.

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB2,093 million for the 2023 Interim Period, representing a gross profit margin of 23.1%, and a gross profit of RMB2,849 million for the Reporting Period, representing a gross profit margin of 28.3%.

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

	For the six months ended June 30,			
	2024	2023	RMB'000 (except for percentage) (unaudited)	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Raw milk	2,374,825	32.4%	1,743,336	28.3%
Comprehensive ruminant farming solutions	474,067	17.3%	349,834	12.0%
Total	2,848,892	28.3%	2,093,170	23.1%

The increase in gross profit margin was primarily due to the decrease in the purchase price of bulk raw materials in the domestic market, which, coupled with the Group's realization of cost reduction and efficiency enhancement through continued promotion of lean operation management and efficient collaboration across various businesses, led to an increase in the Group's gross profit margin.

The gross profit of the raw milk business increased from RMB1,743 million for the 2023 Interim Period to RMB2,375 million for the Reporting Period. The gross profit margin of the raw milk business increased from 28.3% for the 2023 Interim Period to 32.4% for the Reporting Period, which was mainly due to the decrease in the purchase price of bulk raw materials in the domestic market, and the reason that the Group precisely controlled the procurement timing by managing the supply chain process to maximize the reduction in raw material procurement costs, and enhanced yield while strictly controlling costs by strengthening dairy production management.

Management Discussion and Analysis

The gross profit of the comprehensive ruminant farming solutions business increased from RMB350 million for the 2023 Interim Period to RMB474 million for the Reporting Period. The gross profit margin of comprehensive ruminant farming solutions business increased from 12.0% for the 2023 Interim Period to 17.3% for the Reporting Period, mainly because of the increase in gross profit margin of the sales of feeds business due to the timely, proactive adjustment and optimization of sales strategy, as well as strict control of costs by the Group.

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

Our losses arising from changes in fair value less costs to sell of biological assets changed from RMB2,263 million for the 2023 Interim Period to RMB2,271 million for the Reporting Period, which was primarily due to the effects of loss arising from the decline in the selling price of raw milk and the decline in the market prices of beef cattle and heifers, which was partially offset by the increase in yield and continuous decline of feed cost.

Other income

Our other income increased by 46.8% from RMB181 million for the 2023 Interim Period to RMB265 million for the Reporting Period, which was primarily due to the increase in incentive subsidies and the increase in interest income.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal decreased by 53.6% from RMB18 million for the 2023 Interim Period to RMB8 million for the Reporting Period, which was primarily due to the decline in provision rates for impairment losses under expected credit loss model attributable to our focus on high-quality customers and the strict control over customers with credit terms.

Other gains and losses

Our other gains and losses decreased by 99.6% from a gain of RMB90 million for the 2023 Interim Period to a gain of RMB0.3 million for the Reporting Period, primarily due to the decrease in the gain from fair value of financial assets of the Group.

Selling and distribution expenses

Our selling and distribution expenses increased by 1.1% from RMB302 million for the 2023 Interim Period to RMB305 million for the Reporting Period, which was primarily due to the combined impact of (i) the increase in freight charges resulting from the increased sales; (ii) the reduction in storage fee as the Group has increased its procurement frequency according to market trends to accelerate the turnover of bulk raw materials; and (iii) the year-on-year decrease in taxes and surcharges. The proportion of selling and distribution expenses in our revenue decreased from 3.3% for the 2023 Interim Period to 3.0% for the Reporting Period, which was primarily due to the efficient operation and management of the Company, leading to significant results in cost control.

Administrative expenses

Our administrative expenses increased by 3.8% from RMB361 million for the 2023 Interim Period to RMB375 million for the Reporting Period, which was primarily due to the increased insurance investment for new dairy farms put into operation and new cattle herds, resulting in a year-on-year increase in total administrative expenses. The proportion of administrative expenses in our revenue decreased from 4.0% for the 2023 Interim Period to 3.7% for the Reporting Period, primarily due to efficient operation and management of the Group, leading to significant results in cost control.



Management Discussion and Analysis

Other expenses

Our other expenses increased by 26.4% from RMB38 million for the 2023 Interim Period to RMB48 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 17.6% from RMB562 million for the 2023 Interim Period to RMB463 million for the Reporting Period, which was primarily due to decreased finance costs as a result of optimization of debt structure by the Group.

Loss before tax

As a result of the foregoing, we had a loss before tax of RMB1,206 million for the 2023 Interim Period, compared with a loss before tax of RMB404 million for the Reporting Period.

Income tax expense

We recorded an increase of 69.1% in income tax expense from RMB37 million for the 2023 Interim Period to RMB63 million for the Reporting Period, primarily due to the growth of profit from taxable business.

Loss for the period

As a result of the foregoing, we generated a loss of RMB1,244 million for the 2023 Interim Period, compared with a loss of RMB467 million for the Reporting Period, primarily due to (i) the increase in gross profit arising from the Group's increased sales and decreased selling cost per kilogram of raw milk during the Reporting Period, which has offset the effect of the decline in the price of raw milk on profit resulting from the temporary imbalance of the supply and demand in raw milk; (ii) the increase in gross profit of the comprehensive ruminant farming solutions business; and (iii) the decrease in financing cost.

Non-IFRSs Measures

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

Management Discussion and Analysis

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

- i. Cash EBITDA represents profit for the period after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) loss arising from changes in fair value less costs to sell of biological assets, (iv) income tax expense, (v) finance costs, (vi) interest income, and (vii) depreciation and amortization charged to profit or loss; and
- ii. Profit for the period (before biological assets fair value adjustments) is derived from loss for the period excluding loss arising from changes in fair value less costs to sell of biological assets.

Note:

The Company previously used adjusted (loss)/profit for the period attributable to owners of the Company, which represented (loss)/profit attributable to owners of the Company for the period after adjusting the difference between the effective interest of the Convertible Notes recognized at amortized cost and the interest calculated at 4% of the nominal interest rate. As the Convertible Notes were fully redeemed prior to the Reporting Period, the adjustment item is RMB0 for the Reporting Period (RMB133 million for the 2023 Interim Period) and thus this non-IFRS measure is equivalent to (loss)/profit for the period attributable to owners of the Company for the Reporting Period.

The following tables reconcile the Group's adjusted cash EBITDA and profit for the period (before biological assets fair value adjustments) from the most directly comparable financial measure calculated and presented in accordance with IFRSs.

Cash EBITDA

	For the six months ended June 30,	
	2024 (RMB'000) (unaudited)	2023 (RMB'000) (unaudited)
Loss for the period	(466,707)	(1,243,568)
Adjustments:		
Other gains and losses	(345)	(90,396)
Impairment losses under the expected credit loss model, net of reversal	8,124	17,525
Losses arising from changes in fair value less costs to sell of biological assets	2,270,745	2,262,967
Adjusted profit for the period	1,811,817	946,528
Adjustments:		
Income tax expense	62,985	37,248
Finance costs	462,959	561,950
Interest income	(49,315)	(18,740)
Depreciation and amortization charged to profit or loss	335,194	278,300
Cash EBITDA	2,623,640	1,805,286



Management Discussion and Analysis

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

	For the six months ended June 30,	
	2024 (RMB'000) (unaudited)	2023 (RMB'000) (unaudited)
Loss for the period	(466,707)	(1,243,568)
Adjustments:		
Losses arising from changes in fair value less costs to sell of biological assets	2,270,745	2,262,967
Profit for the period (before biological assets fair value adjustments)	1,804,038	1,019,399

Liquidity and Capital Resources

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

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

	For the six months ended June 30,	
	2024 (RMB'000) (unaudited)	2023 (RMB'000) (unaudited)
Net cash generated from operating activities	3,343,107	2,666,475
Net cash used in investing activities	(3,957,784)	(6,694,176)
Net cash (used in)/from financing activities	(2,198,596)	3,816,200
Net decrease in cash and cash equivalents	(2,813,273)	(211,501)
Effects of foreign exchange rate changes	(798)	2,578
Cash and cash equivalents at the beginning of the period	4,488,341	1,452,253
Cash and cash equivalents at the end of the period	1,674,270	1,243,330

Management Discussion and Analysis

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB3,343 million. During the 2023 Interim Period, net cash generated from operating activities was RMB2,666 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities was RMB3,958 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB2,414 million, (ii) payments for property, plant and equipment of RMB1,037 million; and (iii) payments for purchase of financial assets of RMB857 million, partially offset by the proceeds from the disposal of biological assets of RMB342 million.

In the 2023 Interim Period, net cash used in investing activities was RMB6,694 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB2,525 million, (ii) payments for purchase of financial assets of RMB4,500 million, and (iii) payments for property, plant and equipment of RMB1,188 million, partially offset by the proceeds from the disposal of biological assets of RMB578 million and proceeds from disposal of financial assets of RMB910 million.

Net Cash (Used in)/Generated from Financing Activities

During the Reporting Period, net cash used in financing activities was RMB2,199 million, which was mainly attributable to (i) new bank and other borrowings of RMB9,670 million, and (ii) repayment of principal and interest payments on bank and other borrowings of RMB11,737 million.

In the 2023 Interim Period, net cash generated from financing activities was RMB3,816 million, which was mainly attributable to (i) new bank and other borrowings of RMB14,008 million, (ii) payment for the early redemption of the Convertible Notes of RMB608 million, and (iii) repayment of principal and interest payments on bank and other borrowings of RMB9,316 million.



Management Discussion and Analysis

Indebtedness

	As of June 30, 2024 (RMB'000) (unaudited)	As of December 31, 2023 (RMB'000) (audited)
Bank borrowings		
Unsecured	23,307,486	24,823,071
Secured	1,130,583	1,213,390
Other borrowings	227,373	223,127
	24,665,442	26,259,588
The carrying amounts of the above borrowings are repayable:		
Within one year	15,753,723	16,433,086
More than one year but within two years	3,860,256	3,851,780
More than two years but within five years	3,759,851	4,147,876
More than five years	1,291,612	1,826,846
	24,665,442	26,259,588
Less: amounts due within 12 months shown under current liabilities	(15,753,723)	(16,433,086)
Amount shown under non-current liabilities	8,911,719	9,826,502
Lease liabilities	1,771,502	1,822,701
Less: amount due for settlement within 12 months shown under current liabilities	(216,470)	(220,788)
Amount due for settlement after 12 months shown under non-current liabilities	1,555,032	1,601,913
Other liabilities at amortized cost	–	7,310
Portion classified under current liabilities	–	(7,310)
Portion classified under non-current liabilities	–	–

Contingent Liabilities

As of June 30, 2024, the Group had no significant contingent liability.

Management Discussion and Analysis

Net Gearing Ratio

As at June 30, 2024, the Group's net gearing ratio was 180.8%, representing an increase of 15.6 percentage points as compared to 165.2% as at December 31, 2023, mainly due to the increase in net debt as a result of the centralized construction of various dairy farms by the Group earlier on the golden milk source belt. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, less bank balances and cash, and less pledged and restricted bank deposits and deposits placed with a related party under current assets) divided by total equity and multiplied by 100%.

Capital Commitments

As at June 30, 2024, the Group's capital commitments for the purchase of property, plant and equipment and purchase of biological assets was RMB1,253 million (as at December 31, 2023: RMB1,617 million). The decrease from the capital commitments as at December 31, 2023 was primarily due to the decrease in expense for purchase of assets as the Group has 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 June 30, 2024, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 51.73% shares of SKX, 60.59% shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% 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 RMB103 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 interim report, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at June 30, 2024) during the Reporting Period.



Management Discussion and Analysis

Future Plans for Material Investments and Capital Assets

Save as disclosed in this interim report, as of June 30, 2024, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals

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 Huaxia Genetics Dairy Xinghua Co. Ltd. (“**Huaxia Genetics**”), an indirect wholly-owned subsidiary of China Genetics (collectively, the “**Agreements**”). Pursuant to the Agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 Shares to China Genetics; and (2) Inner Mongolia Youran, conditionally agreed to purchase 78,100,000 shares of SKX, from Huaxia Genetics. Further details of the aforementioned matter are set out in the announcements of the Company dated February 19, 2024 (the “**February Announcement**”) and July 15, 2024 (the “**July Announcement**”). Save as disclosed in this interim report, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Employee and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations categorized by function as at June 30, 2024.

Function	Number of Staff	% of Total
Management Personnel	1,208	9.6%
Professional Personnel ^{Note 1}	1,480	11.8%
Technicians	2,801	22.3%
Skilled Personnel ^{Note 2}	6,677	53.3%
Supporting Personnel ^{Note 3}	370	3.0%
Total	12,536	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.

Management Discussion and Analysis

Our success depends on our ability to attract, retain, motivate qualified employees and maintain a stable core management and technical team. In this regard, the Group adheres to “building an efficient and sustainable talent supply chain”, and makes comprehensive layout of talent guarantee, capacity building, organizational effectiveness enhancement and cultural construction and other aspects. 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”, established a three-dimensional talent cultivation system that includes the delivery of managerial talents, the building of positional competencies and the nurturing of experts, 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 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. During the Reporting Period, the Group relied on the “Talent Leader” talent cultivation project to set up cultivation plans for key positions at all levels, and created a “five-line model” around the culture line, curriculum line, scene line, experience line and counseling line, to carry through the cultural values and empowerment, to strengthen the “combination of training and practice”, and the dual-driven cultivation model of nurturing people and talents, to standardize the process of cultivation of talents and to assist in the export of talents of a high quality. During the Reporting Period, the Group cultivated and developed professional talents through innovative platforms connecting domestic and international top industry experts, colleges, and enterprises, we also selected and sent outstanding talents to study abroad, so as to introduce advanced technology and management experience, promote the transformation of resource advantages and strengthen international cooperation and exchange.
- iii. Organizational effectiveness enhancement: During the Reporting Period, 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. The Group formulated the 2024 Business Unit Performance “Horse Race” Competition Plan (《2024年業務單位業績「賽馬」評比方案》) and launched the “Horse Race” work at three levels, with performance as the guiding force to stimulate the vitality of employees. Meanwhile, the Group continued to sort out and leanly analyze the effectiveness of positions and further enhance the Group’s per capita labor efficiency through the introduction of automated equipments, changes in management mode and the application of digital technology. In addition, we made incentives in innovation, revenue generation and cost reduction to improve non-material incentive programs.



Management Discussion and Analysis

- 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. During the Reporting Period, the Group upgraded its business philosophy and employee's code of conduct, reigniting the entrepreneurial spirit of "second venture" with an excellent culture, and continued to promote culture through four areas, namely, cultural team building, cultural training and empowerment, cultural learning and dissemination, and cultural theme activities.

The Group's total remuneration expenses, excluding share-based payments expenses and contributions to pension plans, for the Reporting Period were RMB821 million, representing an increase of 6.0% as compared to RMB775 million for the 2023 Interim Period.

Significant Events after the Reporting Period

Reference is made to the Subscription and the Share Transfer (each as defined in the February Announcement) as announced in the February Announcement and described in the section headed "Material Acquisitions and/or Disposals" above. Completion of the Subscription took place on July 5, 2024 and completion of the Share Transfer took place on July 12, 2024. At the completion of the Subscription, the Company allotted and issued 97,323,833 Shares to China Genetics at the subscription price of RMB1.45 per Share (equivalent to approximately HK\$1.60 per Share) for a total subscription consideration of RMB141,119,558 (equivalent to approximately HK\$155,385,501). The Shares issued represent (i) approximately 2.56% of the issued share capital of the Company immediately prior to the completion of the Subscription and (ii) approximately 2.50% of the issued share capital of the Company as enlarged by the allotment and issue of the Shares. Upon completion of the Share Transfer, the Company indirectly holds 66.86% of the total issued shares of SKX. The financial results of SKX will continue to be consolidated into the accounts of the Group. Further details of the aforementioned matter are set out in the section headed "Material Acquisitions and/or Disposals" above, the February Announcement and the July Announcement.

Save as disclosed in this interim report, no significant events affecting the Group have occurred since the end of the Reporting Period and up to the Latest Practicable Date.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2024, so far as is known to any Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Percentage of issued share capital (%) ⁽²⁾
Yili ⁽³⁾	Interest in controlled corporations	1,320,800,000(L)	34.80
China Youran Dairy Holding Limited ⁽³⁾	Beneficial interest	800,000,000(L)	21.08
Jingang ⁽³⁾	Beneficial interest	520,800,000(L)	13.72
PAG ⁽⁴⁾	Interest in controlled corporations	1,160,811,181(L)	30.58
Pacific Alliance Group Limited ⁽⁴⁾	Interest in controlled corporations	1,160,811,181(L)	30.58
Shan Weijian ⁽⁴⁾	Interest in controlled corporations	1,160,811,181(L)	30.58
PAG Capital Limited ⁽⁴⁾	Interest in controlled corporations	1,160,811,181(L)	30.58
PAG Dairy GP I Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.67



Other Information

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Percentage of issued share capital (%) ⁽²⁾
PAG Dairy I LP ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.67
PAG II ⁽⁴⁾	Beneficial interest	822,602,530(L)	21.67
PAG Asia Capital GP I Limited ⁽⁴⁾	Interest in controlled corporations	338,208,651(L)	8.91
PAG Asia I LP ⁽⁴⁾	Interest in controlled corporations	338,208,651(L)	8.91
PAG I ⁽⁴⁾	Beneficial interest	338,208,651(L)	8.91
Meadowland Investment Limited Partnership ⁽⁵⁾	Beneficial interest	564,982,819(L)	14.89

Notes:

- The letter "L" denotes the Shareholder's long position in such Shares.
- The percentages are calculated on the basis of 3,795,404,000 Shares in issue as at June 30, 2024.
- China Youran Dairy Holding Limited directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of China Youran Dairy Holding Limited and Jingang is a wholly-owned subsidiary of Yili. Accordingly, Yili was deemed to be interested in an aggregate of 1,320,800,000 Shares.
- PAGAC Yogurt Holding I Limited ("PAG I") directly held 338,208,651 Shares in the long position, and PAGAC Yogurt Holding II Limited ("PAG II") held 822,602,530 Shares in the long position. PAG I and PAG II are wholly-owned subsidiaries of funds managed by PAG Capital Limited. PAG I is a wholly-owned subsidiary of PAG Asia I LP, whose general partner is PAG Asia Capital GP I Limited. Accordingly, PAG Asia I LP and PAG Asia Capital GP I Limited were deemed to be interested in 338,208,651 Shares. PAG II is a wholly-owned subsidiary of PAG Dairy I LP, whose general partner is PAG Dairy GP I Limited. Accordingly, PAG Dairy I LP and PAG Dairy GP I Limited were deemed to be interested in 822,602,530 Shares. PAG Capital Limited is wholly controlled by Pacific Alliance Group Limited and Pacific Alliance Group Limited is wholly controlled by PAG. PAG is controlled as to 34.67% by Mr. Shan Weijian. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in an aggregate of 1,160,811,181 Shares in the long position.
- Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, as at June 30, 2024, so far as the Directors are aware, no other parties had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

USE OF PROCEEDS FROM LISTING

The Shares were listed on the Main Board of the Stock Exchange on June 18, 2021. The net proceeds from the Global Offering were approximately HK\$3,270 million (approximately RMB2,711 million), after deducting the underwriting commissions and offering expenses paid or payable.

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 of June 30, 2024.

Purpose	% of net proceeds	Net proceeds (RMB million)	Utilized amount as at June 30, 2024 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at June 30, 2024 (RMB million)
Funding our investment projects, 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	2,033	125	-
Purchasing dairy cows for our dairy farms	15%	407	407	-	-
Working capital and general corporate purposes	10%	271	271	-	-
Total	100%	2,711	2,711	125	-

As of June 30, 2024, the net proceeds from the Global Offering have been fully utilized.

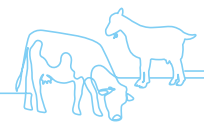
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange (including sale of treasury shares). As at June 30, 2024, the Company did not hold any treasury shares.

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 except for the deviation as set out below.



Other Information

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the roles between the chairman and president should be separate and should not be performed by the same individual. Mr. Yuan Jun has been performing both the roles of chairman of the Board and the president of the Company since June 14, 2024. The nomination committee of the Company is of the view, and the Board agrees, that despite deviating from the Corporate Governance Code, Mr. Yuan will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and the support of other members of the Board. Further, vesting the roles of both chairman of the Board and president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for such arrangement will not be impaired and this structure will be more conducive to the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the president of the Company at a time when it is appropriate by taking into account circumstances of the Group as a whole.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain high corporate governance standards.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the Reporting Period.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal 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 unaudited interim financial statements of the Group for the Reporting Period and the interim report, and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Auditor.

The condensed consolidated financial statements for the Reporting Period have been reviewed by the Auditor, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Other Information

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a nomination committee, a remuneration committee and an environmental, social and governance (the “ESG”) committee (the “ESG Committee”).

The ESG Committee was established with effect from August 23, 2024 and comprises three Directors, namely Mr. Shen Jianzhong (沈建忠), Ms. Xie Xiaoyan (謝曉燕) and Mr. Yao Feng (姚峰). Mr. Shen Jianzhong (沈建忠) is the chairman of the ESG Committee. The primary duties of the ESG Committee are to undertake the Company’s ESG strategic planning, risk management, policy system and target setting, ensure the effectiveness of ESG management through regular supervision and review, and report and make recommendations to the Board.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Wu Xiang (武翔) resigned as a non-executive Director and the chairman of the Board of the Company with effect from June 14, 2024.

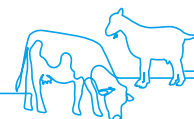
Mr. Yang Huicheng (楊慧成) was appointed as a non-executive Director of the Company with effect from June 14, 2024.

Mr. Yuan Jun (袁軍) was appointed as the chairman of the Board of the Company and the chairman of Inner Mongolia Youran and SKX with effect from June 14, 2024.

Save as disclosed above, as of the Latest Practicable Date, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INVESTOR RELATIONS

The Company has adopted active policies to promote relationship and communications with investors. The Company organizes meetings and events with people from the investing sector from time to time to respond to their inquiries about the Company and enable institutional investors and financial analysts to have a better understanding of the industry prospects and the Company’s businesses, and to ensure that mutual communication in respect of the Company’s performance and development is maintained. You are welcome to send letters to youranir@yourandairy.com or visit the website of the Company (www.yourandairy.com) to get updated news of the Company.



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of China Youran Dairy Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 44 to 79, which comprise the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

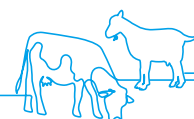
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 23, 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2024

	NOTES	Six months ended June 30,	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	4	10,054,941	9,076,655
Cost of sales	5	(9,328,073)	(8,552,343)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		2,122,024	1,568,858
Gross profit		2,848,892	2,093,170
Losses arising from changes in fair value less costs to sell of biological assets		(2,270,745)	(2,262,967)
Other income	6	264,938	180,508
Impairment losses under expected credit loss model, net of reversal	17	(8,124)	(17,525)
Other gains and losses	7	345	90,396
Selling and distribution expenses		(305,123)	(301,863)
Administrative expenses		(374,557)	(360,737)
Other expenses		(48,295)	(38,211)
Share of loss of a joint venture		(374)	(259)
Share of losses of associates		(47,720)	(26,882)
Finance costs	8	(462,959)	(561,950)
Loss before tax		(403,722)	(1,206,320)
Income tax expense	9	(62,985)	(37,248)
Loss for the period	10	(466,707)	(1,243,568)
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(2,996)	(5,717)
Exchange differences arising on translation from functional currency to presentation currency		89,383	541,295
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(117,276)	(690,504)
Other comprehensive expense for the period, net of income tax		(30,889)	(154,926)
Total comprehensive expense for the period		(497,596)	(1,398,494)
Loss for the period attributable to:			
Owners of the Company		(330,873)	(992,017)
Non-controlling interests		(135,834)	(251,551)
		(466,707)	(1,243,568)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(361,248)	(1,144,647)
Non-controlling interests		(136,348)	(253,847)
		(497,596)	(1,398,494)
		RMB	RMB
Loss per share	11		
Basic		(0.09)	(0.26)
Diluted		(0.09)	(0.26)



Condensed Consolidated Statement of Financial Position

At June 30, 2024

	NOTES	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	13	15,383,418	15,181,413
Investment properties		17,680	18,445
Right-of-use assets	13	2,679,981	2,735,677
Goodwill	14	672,014	672,014
Intangible assets		28,331	25,178
Biological assets	15	14,699,812	14,605,898
Deferred tax assets		40,566	35,388
Interests in associates	19	1,005,134	1,047,147
Interest in a joint venture		3,927	4,301
Equity instruments at fair value through other comprehensive income ("FVTOCI")		15,320	18,728
Pledged and restricted bank deposits		16,605	12,940
Deposits paid for purchase of property, plant and equipment		257,297	355,405
Deposits paid for purchase of biological assets		18,779	34,616
Deposits paid for right-of-use assets		2,368	4,187
Prepayments, deposits and other receivables	18	177,655	41,982
		35,018,887	34,793,319
Current assets			
Inventories		3,060,187	4,504,858
Trade receivables	16	1,107,977	792,071
Bills receivable		4,055	4,323
Contract assets		1,079	2,278
Biological assets	15	161	212
Prepayments, deposits and other receivables	18	299,215	380,394
Financial assets at fair value through profit or loss ("FVTPL")	20	857,742	–
Amounts due from related parties	26	1,221,796	1,099,845
Pledged and restricted bank deposits		203,098	134,087
Bank balances and cash		1,035,254	3,935,982
Deposits placed with a related party	26	639,016	552,359
		8,429,580	11,406,409
Current liabilities			
Trade and bills payables	21	1,703,673	2,113,192
Other payables and accruals	22	1,713,282	1,982,750
Contract liabilities		33,203	31,231
Amounts due to related parties	26	25,341	79,277
Bank and other borrowings	23	15,753,723	16,433,086
Lease liabilities		216,470	220,788
Other liabilities		–	7,310
Other provisions		19,807	19,807
Income tax payable		36,135	27,139
		19,501,634	20,914,580

Condensed Consolidated Statement of Financial Position

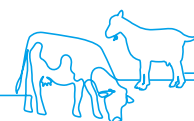
At June 30, 2024

	NOTES	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Net current liabilities		(11,072,054)	(9,508,171)
Total assets less current liabilities		23,946,833	25,285,148
Non-current liabilities			
Bank and other borrowings	23	8,911,719	9,826,502
Deferred tax liabilities		11,931	7,292
Deferred income		844,074	728,211
Lease liabilities		1,555,032	1,601,913
Other provisions		22,978	22,535
		11,345,734	12,186,453
Net assets		12,601,099	13,098,695
Capital and reserves			
Share capital	24	251	251
Reserves		11,469,219	11,830,467
Equity attributable to owners of the Company		11,469,470	11,830,718
Non-controlling interests		1,131,629	1,267,977
Total equity		12,601,099	13,098,695

The condensed consolidated financial statements on pages 44 to 79 were approved and authorised for issue by the board of directors on August 23, 2024 and are signed on its behalf by:

Yuan Jun
Director

Dong Jiping
Director



Condensed Consolidated Statement of Changes in Equity

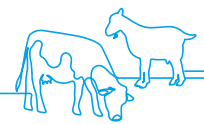
For the six months ended June 30, 2024

	Attributable to owners of the Company											
	Share capital	Share premium	Other reserve	Convertible notes equity reserve	Capital reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024 (audited)	251	7,265,589	188,567	-	634,181	2,305	(229,543)	712,102	3,257,266	11,830,718	1,267,977	13,098,695
Loss and total comprehensive expense for the period	-	-	-	-	-	(2,482)	(27,893)	-	(330,873)	(361,248)	(136,348)	(497,596)
At June 30, 2024 (unaudited)	251	7,265,589	188,567	-	634,181	(177)	(257,436)	712,102	2,926,393	11,469,470	1,131,629	12,601,099
At January 1, 2023 (audited)	251	7,349,088	188,567	677,081	(4,926)	(1,334)	(164,329)	597,884	4,421,464	13,063,746	1,687,383	14,751,129
Loss and total comprehensive expense for the period	-	-	-	-	-	(3,336)	(149,294)	-	(992,017)	(1,144,647)	(253,847)	(1,398,494)
Dividends paid to owners of the Company (Note 12)	-	-	-	-	-	-	-	-	(83,499)	(83,499)	-	(83,499)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,125)	(19,125)
Partial redemption of convertible notes	-	-	-	(37,974)	-	-	-	-	-	(37,974)	-	(37,974)
At June 30, 2023 (unaudited)	251	7,349,088	188,567	639,107	(4,926)	(4,670)	(313,623)	597,884	3,345,948	11,797,626	1,414,411	13,212,037

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024

	NOTES	Six months ended June 30,	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operations		3,347,908	2,694,538
Interest received		49,315	18,740
Income taxes paid		(54,116)	(46,803)
Net cash from operating activities		3,343,107	2,666,475
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,036,538)	(1,188,421)
Payments for right-of-use assets		(7,213)	(81,296)
Proceeds from disposal of property, plant and equipment		14,820	18,544
Payments for biological assets		(2,413,963)	(2,525,172)
Payments for intangible assets		(4,687)	(130)
Proceeds from disposal of biological assets		341,808	578,234
Purchase of financial assets at FVTPL		(856,986)	(4,500,000)
Proceeds from disposal of financial assets at FVTPL		–	910,351
Placement of pledged and restricted bank deposits		(107,729)	(62,922)
Withdrawal of pledged and restricted bank deposits		35,053	59,466
Receipt of government grants for assets		77,443	95,295
Receipt arising a sublease classified as a finance lease		208	1,875
Net cash used in investing activities		(3,957,784)	(6,694,176)
FINANCING ACTIVITIES			
New bank and other borrowings raised		9,669,619	14,008,172
Repayments of bank and other borrowings		(11,297,675)	(8,818,366)
Interest paid for bank borrowings		(439,120)	(497,709)
Repayment of lease liabilities		(84,202)	(85,189)
Interest paid for lease liabilities		(37,915)	(37,071)
Repayment of other liabilities		(7,500)	(7,500)
Dividends paid to owners of the Company	12	–	(83,499)
Dividends paid to non-controlling interests		–	(19,125)
Pledged receivables for bank borrowings	18	–	(23,758)
Payments of interest for convertible notes		–	(11,923)
Payments of partial redemption of convertible notes		–	(607,832)
Advance received for issue of shares	29	141,120	–
Prepayment for acquisition of additional interests in subsidiaries	29	(142,923)	–
Net cash (used in)/from financing activities		(2,198,596)	3,816,200
Net decrease in cash and cash equivalents		(2,813,273)	(211,501)
Cash and cash equivalents at beginning of the period		4,488,341	1,452,253
Effect of foreign exchange rate changes		(798)	2,578
Cash and cash equivalents at end of the period, represented by bank balances and cash and deposits placed with a related party		1,674,270	1,243,330



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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 People’s Republic of China (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 condensed 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. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

Going concern assessment

As at June 30, 2024, the Group had net current liabilities of RMB11.1 billion. The condensed 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 ended June 30, 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 June 30, 2024. 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 RMB11 billion within 12 months from June 30, 2024.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than the accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

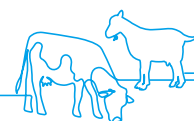
Except as described below, the application of amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

The Group will apply amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements* which are mandatorily effective for the Group’s annual period beginning on January 1, 2024 for the preparation of the Group’s consolidated financial statements for the year ending December 31, 2024.

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 enable 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 application of the amendments is expected to affect the disclosures of the Group’s liabilities, cash flows and the Group’s exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending December 31, 2024.



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Types of goods:		
Sales of raw milk	7,320,419	6,156,918
Sales of feeds	2,436,934	2,639,242
Sales of ruminant farming products	231,679	185,985
Sales of breeding products	65,909	94,510
	10,054,941	9,076,655
Timing of revenue recognition:		
At a point in time	10,054,941	9,076,655

Segment revenue and results

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

For the six months ended June 30, 2024 (unaudited)

	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	7,320,419	2,734,522	10,054,941	–	10,054,941
Inter-segment revenue	–	865,926	865,926	(865,926)	–
	7,320,419	3,600,448	10,920,867	(865,926)	10,054,941
Segment results	2,023,803	279,072	2,302,875	–	2,302,875
Losses arising from changes in fair value less costs to sell of biological assets					(2,270,745)
Share of losses of associates					(47,720)
Share of loss of a joint venture					(374)
Fair value gain on financial assets at FVTPL					756
Unallocated other income and expense					(62,732)
Unallocated finance costs					(325,782)
Loss before tax					(403,722)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

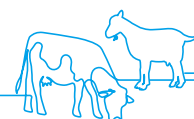
Segment revenue and results *(Continued)*

For the six months ended June 30, 2023 (unaudited)

	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	6,156,918	2,919,737	9,076,655	–	9,076,655
Inter-segment revenue	–	1,117,487	1,117,487	(1,117,487)	–
	6,156,918	4,037,224	10,194,142	(1,117,487)	9,076,655
Segment results	1,317,336	203,963	1,521,299	–	1,521,299
Losses arising from changes in fair value less costs to sell of biological assets					(2,262,967)
Share of losses of associates					(26,882)
Share of loss of a joint venture					(259)
Fair value gain on financial assets at FVTPL					93,324
Unallocated other income and expense					(63,860)
Unallocated finance costs					(466,975)
Loss before tax					(1,206,320)

Segment assets and liabilities

The chief operating decision maker (the “CODM”) makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
For the six months ended June 30, 2024 (unaudited)					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortization charged directly to profit or loss	299,199	32,005	331,204	3,990	335,194
Impairment losses on trade and other receivables under expected credit loss model, net of reversal	(36)	8,160	8,124	–	8,124
Loss on termination of lease agreements	190	–	190	–	190
Loss on disposal of property, plant and equipment, net	700	25	725	–	725
Interest income	(3,358)	(8,444)	(11,802)	(37,513)	(49,315)
Finance costs	134,727	2,450	137,177	325,782	462,959
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (Note)	3,363,815	39,566	3,403,381	–	3,403,381
Investments in associates	–	–	–	1,005,134	1,005,134
Investment in a joint venture	–	–	–	3,927	3,927
Share of losses of associates	–	–	–	47,720	47,720
Share of loss of a joint venture	–	–	–	374	374

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

4. 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 six months ended June 30, 2023 (unaudited)					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortization charged directly to profit or loss	243,982	31,715	275,697	2,603	278,300
Impairment losses on trade and other receivables under expected credit loss model, net of reversal	(207)	17,732	17,525	–	17,525
Fair value gain on derivative financial instruments	(2,920)	(258)	(3,178)	–	(3,178)
Loss on termination of lease agreements	477	–	477	–	477
Loss/(gain) on disposal of property, plant and equipment, net	8,037	(207)	7,830	–	7,830
Interest income	(6,621)	(1,933)	(8,554)	(10,186)	(18,740)
Finance costs	94,036	939	94,975	466,975	561,950
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (Note)	4,095,259	55,597	4,150,856	–	4,150,856
Investments in associates	–	–	–	1,167,607	1,167,607
Investment in a joint venture	–	–	–	4,703	4,703
Share of losses of associates	–	–	–	26,882	26,882
Share of loss of a joint venture	–	–	–	259	259

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic information

Since all revenue from external customers of the Group is derived from the customers located in Mainland China and all of the non-current assets are located in Mainland China, therefore 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:

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Customer A:		
Revenue from sales of raw milk	6,901,033	5,978,328
Revenue from sales of feeds	77,396	75,613
Revenue from ruminant farming products	768	51
Revenue from breeding products	4,322	6,381

5. COST OF SALES

An analysis of cost of sales is as follows:

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Cost of raw milk sold before fair value adjustments	4,945,594	4,413,582
Raw milk fair value adjustments	2,134,191	1,583,197
Cost of raw milk sold after fair value adjustments	7,079,785	5,996,779
Cost of feeds sold before forage grass and other agriculture products fair value adjustments	2,029,233	2,364,371
Forage grass and other agriculture products fair value adjustments	(12,167)	(14,339)
Cost of feeds sold after fair value adjustments	2,017,066	2,350,032
Cost of ruminant farming products sold	187,117	155,332
Cost of breeding products	44,105	50,200
Total cost of sales	9,328,073	8,552,343

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

6. OTHER INCOME

An analysis of other income is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants released from deferred income	55,322	63,055
Incentive subsidies	123,955	78,888
Rental income	8,257	5,210
Bank interest income	45,899	15,303
Interest income from Yili Group (as defined in Note 26)	3,416	3,437
Income from sale of scrap materials	6,742	6,017
Compensation income	13,253	294
Write-back of other payables	2,819	3,897
Others	5,275	4,407
	264,938	180,508

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange differences, net	203	1,406
Loss on disposal of property, plant and equipment, net	(725)	(7,830)
Fair value gain on derivative financial instruments	–	3,178
Fair value gain on financial assets at FVTPL	756	93,324
Loss on partial redemption of convertible notes	–	(918)
Loss on termination of lease agreements	(190)	(477)
Recovery of pre-acquisition doubtful debt of SKX Group	–	871
Others	301	842
	345	90,396



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

8. FINANCE COSTS

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest on:		
Bank and other borrowings	439,270	409,464
Other liabilities	190	369
Lease liabilities	37,915	37,144
Unwinding of the discount of other provisions	443	237
Convertible notes	–	144,737
	477,818	591,951
Less: Amounts capitalized to construction in progress	(14,859)	(30,001)
	462,959	561,950

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

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	63,834	38,804
(Over) under provision in prior periods:		
PRC EIT	(722)	55
Deferred tax	(127)	(1,611)
	62,985	37,248

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.

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 Youran"), 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 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%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

10. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of:		
Property, plant and equipment	554,078	428,744
Investment properties	765	965
Right-of-use assets	103,541	102,215
Amortization of intangible assets	1,634	949
Total depreciation and amortization	660,018	532,873
Less: Capitalized in biological assets	(276,350)	(220,885)
Capitalized in construction in progress	(1,418)	(3,457)
Capitalized in inventories	(47,056)	(30,231)
Depreciation and amortization charged directly to profit or loss	335,194	278,300
Research and development costs recognized in profit or loss	47,600	34,303
Employee benefits expense:		
Salaries and allowances	821,250	774,948
Retirement benefit scheme contributions	102,107	92,075
Total staff costs	923,357	867,023
Less: Capitalized in biological assets	(223,259)	(210,858)
	700,098	656,165

11. LOSS PER SHARE

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share	(330,873)	(992,017)

	Six months ended June 30,	
	2024	2023
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted loss per share	3,795,404	3,795,404

The computation of diluted loss per share for the six months ended June 30, 2023 does not assume the conversion of the Company's outstanding convertible notes since their assumed conversion would result in a decrease in loss per share.



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

12. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended June 30, 2023: paid a final dividend of RMB0.022 per share in respect of the year ended December 31, 2022). The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, construction in progress of the Group was increased with an aggregate amount of RMB414,477,000 (six months ended June 30, 2023: RMB791,828,000) for the expansion of dairy farming operations.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 3 to 19 years. On lease commencement, the Group recognised right-of-use assets of RMB49,584,000 (six months ended June 30, 2023: RMB260,912,000) and lease liabilities of RMB40,552,000 (six months ended June 30, 2023: RMB245,196,000).

14. GOODWILL

	Six months ended June 30,	
	2024 RMB'000	2023 RMB'000
CARRYING AMOUNT:		
At beginning of the period (audited)	672,014	792,980
At the end of the period (unaudited)	672,014	792,980

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

As at June 30, 2024, the recoverable amount of SKX Group exceeds its carrying amount by RMB31,235,000. If the discount rate was increased by 0.05%, or the growth rate beyond the five-year period was reduced by 0.07%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount.

Based on management's assessment, there is no indication that the goodwill of Fonterra China Farms Group has suffered an impairment since the acquisition. The management will assess the impairment of goodwill at least annually.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

15. BIOLOGICAL ASSETS

The fair value of biological assets at the end of the reporting period is set out below:

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Dairy cows:		
Calves and heifers	6,344,553	6,051,392
Milkable cows	7,992,541	8,385,409
Feeder cattle	161	212
Breeding stock		
– Breeding bulls and others	136,351	56,507
– Breeding goats, young male goats and male goat lambs	6,086	1,379
Dairy goats		
– Milkable goats	96,084	–
– Young female goats and female goat lambs	124,197	111,211
Total	14,699,973	14,606,110
Less: current portion classified under current assets	(161)	(212)
Non-current portion classified under non-current assets	14,699,812	14,605,898

The Group has engaged an independent valuer, Jones Lang LaSalle, independent qualified professional valuers which are not connected to the Group, to assist the Group in assessing the fair values of Group's biological assets. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 25.

16. TRADE RECEIVABLES

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Trade receivables	1,174,673	847,469
Less: Allowance for credit losses	(66,696)	(55,398)
	1,107,977	792,071
Trade receivables from related parties (Note 26)	1,221,750	1,099,751



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

16. TRADE RECEIVABLES *(Continued)*

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 90 days	890,468	728,026
91 days to 180 days	162,295	47,101
181 days to 1 year	50,256	14,674
Over 1 year	4,958	2,270
	1,107,977	792,071

As at June 30, 2024, trade receivables from related parties are aged within 90 days based on the month of delivery.

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Not yet past due	753,433	719,885
Past due less than 30 days	143,539	27,709
Past due more than 30 days but less than 90 days	164,219	34,477
Past due more than 90 days	46,786	10,000
	1,107,977	792,071

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 trade receivables with significant balances or credit-impaired, management will assess the corresponding expected credit loss ("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 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses recognized in respect of:		
Trade receivables	8,065	16,261
Other receivables	59	1,264
	8,124	17,525

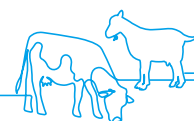
The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those followed in the preparation of the Group's annual financial statement for the year ended December 31, 2023.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Classified under current assets:		
Prepayments	240,075	298,682
Value-added tax recoverable	23,667	18,629
Deposits placed with brokers for commodity forward contracts	5,104	5,090
Rental receivables	1,892	9,379
Utility and other deposits	21,696	28,507
Compensation receivable	5,039	15,039
Advances to staff	1,217	1,022
Other receivables	9,356	12,356
	308,046	388,704
Less: Allowance for credit losses	(8,831)	(8,310)
	299,215	380,394
Classified under non-current assets:		
Pledged receivable (Note)	23,758	23,758
Finance lease receivables	600	5,259
Utility and other deposits	10,374	12,965
Prepayments of acquisition of additional interests in subsidiaries (Note 29)	142,923	–
	177,655	41,982

Note:

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

19. INTERESTS IN ASSOCIATES

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(209,810)	(162,090)
Exchange adjustments	116,558	110,851
	1,005,134	1,047,147

Details of each of the Group's associates at the end of the reporting period are as follows:

	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest	Proportion of voting rights held by the Group	Principal activities
Wholesome Harvest Limited	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken")	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Negotiable certificate of deposits with certain banks, at fair value	857,742	–

During the current interim period, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. The deposits carry fixed-interest rate which range from 1.90% to 3.55% (December 31, 2023: nil) per annum. The Group pledged the negotiable certificate of deposits amounting to RMB300,000,000 to obtain certain bank loans amounting to RMB300,000,000 in July 2024.

The directors of the Company determine the deposits are mainly for the purpose of short-term fund management, which will be sold in the secondary market within one year, therefore the deposits are classified as current assets.

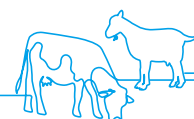
21. TRADE AND BILLS PAYABLES

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Trade payables	1,140,485	1,348,343
Bills payable	563,188	764,849
	1,703,673	2,113,192

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

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 1 year	1,107,823	1,314,807
1 to 2 years	12,586	15,605
2 to 3 years	5,096	2,306
More than 3 years	14,980	15,625
	1,140,485	1,348,343

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

22. OTHER PAYABLES AND ACCRUALS

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Payables for purchase of property, plant and equipment	798,123	1,187,316
Salaries and welfare payables	266,811	288,566
Deposits received from suppliers	163,527	163,385
Service and professional fee payables	141,949	145,755
Advance received for issue of shares (Note 29)	141,120	–
Freight charges payables	105,251	96,373
Storage fee payables	11,866	14,083
Non-income tax related tax payables	12,500	17,885
Sundry payables and accrued expenses	72,135	69,387
	1,713,282	1,982,750

23. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB9,669,619,000 (six months ended June 30, 2023: RMB14,008,172,000).

The ranges of effective interest rates of the Group's borrowings are as follows:

	June 30, 2024 % (unaudited)	December 31, 2023 % (audited)
Effective interest rates:		
Floating rate borrowing	1.95 to 6.80	1.95 to 6.80
Fixed rate borrowing	2.10 to 3.90	2.10 to 4.00

Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China ("PBOC") and Secured Overnight Financing Rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

24. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares of USD0.00001 each			
Authorized:			
At January 1, 2023 (audited) and June 30, 2023 (unaudited), January 1, 2024 (audited) and June 30, 2024 (unaudited)	10,000,000,000	100,000	691
Issued and fully paid:			
At January 1, 2023 (audited) and June 30, 2023 (unaudited), January 1, 2024 (audited) and June 30, 2024 (unaudited)	3,795,404,000	37,954	251

25. FAIR VALUE MEASUREMENTS

The Group's biological assets and certain financial instruments are measured at fair value on a recurring basis at the end of the reporting period. In estimating the fair value, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports its findings to the board of directors of the Company to explain the cause of fluctuations in the fair value.

The following table gives information about how the fair values of these biological assets and financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 2 and 3) based on the degree to which the inputs to the fair value measurements is observable.



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

	Fair value hierarchy			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
As at June 30, 2024 (unaudited)				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	–	–	6,344,553	6,344,553
Milkable cows (Note (b))	–	–	7,992,541	7,992,541
Feeder cattle (Note (c))	–	–	161	161
Breeding bulls and others (Note (d))	–	–	136,351	136,351
Dairy goats (Note (e))	–	–	220,281	220,281
Breeding goats, young male goats and male goat lambs (Note (f))	–	–	6,086	6,086
Debt instruments at FVTOCI (Note (g))	–	4,055	–	4,055
Equity instruments at FVTOCI (Note (h))	–	–	15,320	15,320
Financial assets at FVTPL (Note (i))	–	857,742	–	857,742
	–	861,797	14,715,293	15,577,090

	Fair value hierarchy			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
As at December 31, 2023				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	–	–	6,051,392	6,051,392
Milkable cows (Note (b))	–	–	8,385,409	8,385,409
Feeder cattle (Note (c))	–	–	212	212
Breeding bulls and others (Note (d))	–	–	56,507	56,507
Dairy goats (before production of milk) (Note (e))	–	–	111,211	111,211
Breeding goats, young male goats and male goat lambs (Note (f))	–	–	1,379	1,379
Debt instruments at FVTOCI (Note (g))	–	4,323	–	4,323
Equity instruments at FVTOCI (Note (h))	–	–	18,728	18,728
	–	4,323	14,624,838	14,629,161

There were no transfers between Level 1 and 2 and there were no other transfers into or out of Level 3 during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(a)	Biological assets – Calves and heifers	<p>The fair value of 14 months old heifers is determined by reference to the local market selling price.</p> <p>The fair values of calves and heifers at age group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period to 14 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated local market selling prices of the heifers of 14 months old are RMB22,900 to RMB23,650 per head as at June 30, 2024 (December 31, 2023: RMB23,300 to RMB24,700).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for calves and heifers younger than 14 months old (i.e. from born to 14 months) are ranging from RMB19,907 to RMB21,448 as at June 30, 2024 (December 31, 2023: RMB20,835 to RMB22,441).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are ranging from RMB14,109 to RMB15,769 as at June 30, 2024 (December 31, 2023: RMB15,337 to RMB17,512).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of calves and heifers, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of calves and heifers older/younger than 14 months old, and vice versa.</p>



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(b)	Biological assets – Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	<p>Estimated feed costs per kg of raw milk used in the valuation process are ranging from RMB2.26 to RMB3.19 as at June 30, 2024 (December 31, 2023: RMB2.36 to RMB3.21), based on the historical average feed costs per kg of raw milk after taking into consideration of inflation and the purchase contracts on hand.</p> <p>A milkable cow could have as many as six lactation cycles. Estimated daily milk yield at each lactation cycle is ranging from 16.93 kg to 35.76 kg as at June 30, 2024 (December 31, 2023: from 17.03 kg to 35.28 kg), depending on the number of the lactation cycles and the individual physical condition.</p> <p>Estimated local future market prices for raw milk are ranging from and RMB3,800 to RMB6,310 per ton as at June 30, 2024 (December 31, 2023: RMB4,020 to RMB6,280 per ton).</p> <p>Discount rate for estimated future cash flows used is 13% as at June 30, 2024 (December 31, 2023: 13%).</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>An increase in the estimated daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated average selling price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in the fair value measurement of milkable cows, and vice versa.</p>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(c)	Biological assets – Feeder cattle	<p>Feeder cattle mainly include bull calves for sale.</p> <p>The fair value of 10 days calf is determined by reference to the local market selling price.</p> <p>The fair values of calves at age group less than 10 days are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period to 10 days.</p> <p>Conversely, the fair values of calves at age group older than 10 days are determined by adding the estimated feeding costs required to raise the calves from 10 days old to their respective age at the end of the reporting period.</p>	<p>Estimated local market selling prices of the 10 days calf are RMB900 per head as at June 30, 2024 (December 31, 2023: RMB3,068 per head).</p> <p>Estimated feeding costs per head daily for calves both younger than and older than 10 days are RMB25.88 as at June 30, 2024 (December 31, 2023: RMB26.77).</p>	<p>An increase in the estimated local market selling prices of 10 days calves used would result in an increase in the fair value measurement of bull calves, and vice versa.</p> <p>An increase in the estimated feeding costs would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of bull calves older/younger than 10 days old, and vice versa.</p>



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(d)	Biological assets – Breeding bulls	The fair values of breeding bulls are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such breeding bulls.	<p>The estimated feed costs per day per bull used in the valuation process are RMB53 as at June 30, 2024 (December 31, 2023: RMB51) based on the historical average feed costs per day of breeding bulls after taking into consideration of inflation and purchase contracts on hand.</p> <p>Estimated local future market prices for sex-sorting frozen bovine semen are RMB139 per straw as at June 30, 2024 (December 31, 2023: RMB117 per straw).</p> <p>Estimated local future market prices for conventional frozen bovine semen are RMB28 per straw as at June 30, 2024 (December 31, 2023: RMB19 per straw).</p> <p>Discount rate for estimated future cash flow used is 13% as at June 30, 2024 (December 31, 2023: 13%).</p>	<p>An increase in the estimated feed costs per day of breeding bulls used would result in a decrease in the fair value measurement of the breeding bulls, and vice versa.</p> <p>An increase in the estimated selling price of frozen bovine semen used would result in an increase in the fair value measurement of breeding bulls, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in the fair value measurement of breeding bulls, and vice versa.</p>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(e)	Biological assets – Dairy goats	<p>The fair value of 8 months old dairy goats is determined by reference to the market selling price.</p> <p>The fair values of dairy goats at age group less than 8 months are determined by subtracting the estimated feeding costs required to raise the dairy goats from their respective age at the end of the reporting period to 8 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of dairy goats at age group older than 8 months are determined by adding the estimated feeding costs required to raise the dairy goats from 8 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated local market selling prices of the dairy goats of 8 months old are RMB10,802 per head as at June 30, 2024 (December 31, 2023: RMB10,802).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats younger than 8 months old (i.e. from born to 8 months) are RMB3,434 as at June 30, 2024 (December 31, 2023: RMB5,701).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats older than 8 months old are RMB3,796 as at June 30, 2024 (December 31, 2023: RMB3,754).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of dairy goats, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of dairy goats older/younger than 8 months old, and vice versa.</p>



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(f)	Biological assets – Breeding goats, young male goats and male goat lambs	<p>The fair value of 10 months old breeding goats is determined by reference to the market selling price.</p> <p>The fair values of breeding goats younger than 10 months are determined by subtracting the estimated feeding costs required to raise the breeding goats to 10 months old from their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p> <p>The fair values of breeding goats older than 10 months are determined by adding the estimated feeding costs required to raise the breeding goats from 10 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated local market selling prices of the breeding goats of 10 months old are RMB12,546 per head as at June 30, 2024 (December 31, 2023: RMB12,546).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats older than 10 months are RMB3,657 as at June 30, 2024 (December 31, 2023: RMB3,124).</p>	<p>An increase in the estimated local market selling price used would result in an increase in the fair value measurement of breeding goats, and vice versa.</p> <p>An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in a increase/decrease in the fair value measurement of breeding goats older/younger 10 months, and vice versa.</p>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(g)	Debt instruments at FVTOCI: Bills receivable	Discounted cash flow method was used to capture the present value of the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.	N/A	N/A
(h)	Equity instruments at FVTOCI	Market approach	Fair value is estimated based on value of comparable listed companies and discount for lack of liquidity.	An increase in the discount for lack of liquidity would result in a decrease in the fair value measurement of the unquoted equity investments, and vice versa. If the discount for lack of liquidity increase by 1%, the estimated fair value of equity instruments at FVTOCI will decrease by RMB78,000 as at June 30, 2024 (December 31, 2023: RMB119,000), vice versa.
(i)	Financial assets at FVTPL: Negotiable certificate of deposits	Discounted cash flow method was used to capture the present value of the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.	N/A	N/A



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

25. FAIR VALUE MEASUREMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI RMB'000	Biological assets RMB'000	Total RMB'000
At January 1, 2024 (audited)	18,728	14,606,110	14,624,838
Fair value changes during the period	(3,408)	–	(3,408)
Purchase cost	–	89,392	89,392
Feeding and other related costs	–	2,616,759	2,616,759
Decrease due to disposal/death	–	(341,543)	(341,543)
Losses arising from changes in fair value less costs to sell of biological assets	–	(2,270,745)	(2,270,745)
At June 30, 2024 (unaudited)	15,320	14,699,973	14,715,293
At January 1, 2023 (audited)	28,066	13,229,908	13,257,974
Fair value changes during the period	(5,717)	–	(5,717)
Purchase cost	–	440,917	440,917
Feeding and other related costs	–	2,579,720	2,579,720
Decrease due to disposal/death	–	(577,813)	(577,813)
Losses arising from changes in fair value less costs to sell of biological assets	–	(2,262,967)	(2,262,967)
At June 30, 2023 (unaudited)	22,349	13,409,765	13,432,114

The fair value changes for equity instruments at FVTOCI during the six months ended June 30, 2024 is reported under “investment revaluation reserve” and “non-controlling interests”.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

26. RELATED PARTY TRANSACTIONS

The Group had the following material transactions and balances with Inner Mongolia Yili Industrial Group Co., Ltd. ("Yili", together with its subsidiaries, collectively "Yili Group"), a major shareholder of the Group and Jiangsu Nongken, an associate of the Group.

Transactions with Yili Group

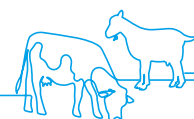
	Notes	Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Sales of raw milk to Yili Group	(a)	6,901,033	5,978,328
Sales of feeds to Yili Group	(a)	77,396	75,613
Sales of ruminant farming products to Yili Group	(a)	768	51
Sales of breeding products to Yili Group	(a)	4,322	6,381
Other service to Yili Group	(a)	1,393	1,406
Purchase of raw materials from Yili Group	(a)	16,689	9,469
Purchase of shared financial services from Yili Group	(b)	5,436	5,339
Purchase of other service and materials from Yili Group		1,861	7,412
Interest income from Yili Group	(f)	3,416	3,437

Transactions with Jiangsu Nongken

	Note	Six months ended June 30,	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Sales of feeds to Jiangsu Nongken	(a)	18,356	13,140
Sales of breeding products to Jiangsu Nongken	(a)	636	–
Sales of ruminant farming products to Jiangsu Nongken	(a)	318	102
Other service to Jiangsu Nongken	(a)	89	69

Balances with Yili Group

	Notes	June 30,	December 31,
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(audited)
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,216,329	1,091,975
Prepayments to Yili Group		–	13
		1,216,329	1,091,988



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

26. RELATED PARTY TRANSACTIONS *(Continued)*

Balances with Yili Group *(Continued)*

	Notes	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Amounts due to related parties:			
Trade payables to Yili Group	(d)	3,916	8,969
Trade payables under supplier finance arrangements to Yili Group	(e)	21,425	70,308
Deposits placed with Yili Finance Company Limited	(f)	639,016	552,359

Balances with Jiangsu Nongken

	Note	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	5,421	7,776
Other receivables from Jiangsu Nongken		46	81
		5,467	7,857

Notes:

- (a) The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved, and the prices are mainly determined based on prices offered to independent third parties.
- (b) The Group entered into the shared financial services agreement with Yili Group in 2022. Pursuant to the agreement, Yili Group provided accounting related shared financial services to the Group. The service fee is determined using cost-plus basis, being the total costs incurred by Yili Group in respect of the provision of the shared financial services plus a fixed percentage of 5%, to cover costs and expenses, such as personnel and maintenance.
- (c) The trade receivables are mainly related to the sale of raw milk to Yili Group and sales of feeds to Jiangsu Nongken. As at June 30, 2024, trade receivables from related parties are aged within 90 days based on the date of delivery.
- (d) The trade payables are related to the purchase of raw materials from Yili Group, which aged within one year at the end of the reporting period.
- (e) Certain suppliers can choose to be paid a discounted amount by certain financial institutions of Yili Group earlier than the due date. As initiated by the suppliers, the Group, Yili Group and the suppliers entered into supplier finance arrangements. Pursuant to the agreements, the Group's obligations to suppliers are legally extinguished and will pay to Yili Group to settle the debts directly.
- (f) The Group entered into the financial services agreement with Yili Finance Company Limited, a subsidiary of Yili Group which has financial institution license. Pursuant to the agreement, Yili Finance Company Limited provided deposit service to the Group. The interest rates are determined according to and shall not be lower than the benchmark deposit rates prescribed by the PBOC and the deposit rates offered by the major commercial banks in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

26. RELATED PARTY TRANSACTIONS *(Continued)*

Settlement arrangements with Yili Group

	Note	Six months ended June 30,	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(g)	226,834	439,574

Note:

- (g) Certain customers (the "Overlapping Parties") who purchase feeds and breeding products from the Group are also raw milk suppliers of Yili Group. The Group, Yili Group and the Overlapping Parties have entered into an entrusted payment arrangement (the "Entrusted Payment Arrangement"), pursuant to which Yili Group would deduct the amount payable to the Group by the Overlapping Parties (the "Feeds and Breeding Products Payments") from the payments made to the Overlapping Parties by Yili Group, and pay the Feeds and Breeding Products Payments to the Group directly. The directors of the Company consider that the Entrusted Payment Arrangement is an industry norm in dairy farming products industry in the PRC to simplify the payment procedures.

Compensation to key management personnel

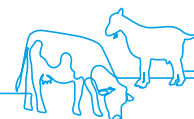
The remuneration of key management personnel, including members of the board of directors and other members of senior management of the Group was as follows:

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Salaries and allowances	3,720	3,198
Retirement benefit scheme contributions	226	221
	3,946	3,419

27. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	June 30,	December 31,
	2024 RMB'000 (unaudited)	2023 RMB'000 (audited)
Capital expenditures in respect of acquisition of property, plant and equipment and purchase of biological assets: Contracted but not provided for	1,253,233	1,617,469



Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

28. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liability.

29. EVENT AFTER THE REPORTING PERIOD

On February 19, 2024, the Company and its subsidiary, Inner Mongolia Youran entered into the agreements with China Genetics Holdings, Ltd. (“China Genetics”) and its subsidiary, Huaxia Genetics Dairy Xinghua Co. Ltd. (华夏基耐乳業興化有限公司) (“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 78,100,000 issued shares of SKX from Huaxia Genetics, representing approximately 8.50% of the total issued shares of SKX, with the consideration of RMB142,923,000.

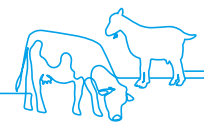
As of June 30, 2024, the Company has received total subscription consideration of RMB141,119,558 from China Genetics and Inner Mongolia Youran has made advance payments of RMB142,923,000 to Huaxia Genetics for acquisition of additional equity interests in SKX.

Subsequent to the end of the current interim reporting period, all of the conditions precedent for the above share subscription and share transfer have been fulfilled and the above transaction has been completed in July 2024 as disclosed in the Company’s announcement dated July 15, 2024. Upon the completion of these transactions, the Company indirectly holds 66.86% of the total issued shares of SKX and continued to include the financial results of SKX into the Group’s consolidated financial statements.

For details, please refer to the announcements of the Company dated February 19, 2024 and July 15, 2024.

Definitions

“2022 Interim Period”	six months ended June 30, 2022
“2023 Interim Period”	six months ended June 30, 2023
“Audit Committee”	the audit committee of the Company
“Auditor”	Deloitte Touche Tohmatsu, the auditor of the Group
“Board”	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, being one of our customers
“China” or “PRC”	the People’s Republic of China and, for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
“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
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the convertible notes issued by the Company to each of the noteholders, particulars of which are set out in the Prospectus
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CTC”	China Testing & Certification International Group Co., Ltd. (中國國檢測試控股集團股份有限公司)
“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”, “our Group”, “we”, “us” or “our”	the Company and its subsidiaries
“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



Definitions

“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
“Jingang”	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
“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
“Latest Practicable Date”	September 4, 2024, being the latest practicable date for ascertaining certain information in this interim report before its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
“Prospectus”	prospectus of the Company dated June 7, 2021
“Reporting Period”	six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been a subsidiary of the Company since January 8, 2020
“SOP”	Standard Operation Procedure
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Definitions

“TPM”	Total Productive Maintenance
“treasury shares”	has the meaning ascribed thereto under the Listing Rules
“US\$” or “USD”	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, its subsidiaries and associates
“%”	per cent

Note: The exchange rate adopted in the sections headed “Material Acquisitions and/or Disposals” and “Significant Events after the Reporting Period” in this interim report is HK\$1.00 to RMB0.90819. Unless otherwise disclosed, the exchange rate adopted in this interim report is HK\$1.00 to RMB0.82893, which is for illustrative purposes only, and should not be construed as representations that any amount has been or could be exchanged at such rate or any other rate.