



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

ANNUAL REPORT 2024



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 December 31, 2024, the Group operated 97 dairy farms, 15 feed mills, 16 forage grass plantation bases, 5 world-leading key breeding bases and an online dairy industry chain platform *Jumuc.com*, with a herd size of dairy cows of 621,568 heads and dairy goats of 19,164 heads. For the year ended December 31, 2024, the Group's production of premium raw milk and specialty raw milk was 3,747,448 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 1,142,885 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 and 26 offline pick-up stores, 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 1,144,814 straws/units. The production of sex-sorted embryos that can improve the overall genetic level of the dairy cows amounted to over 25,000 units, representing a year-on-year increase of 75.7%, 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)
(appointed as the Chairman on June 14, 2024 and resigned as an executive Director, the Chairman and President on March 28, 2025)
- Mr. Hao Haijun (郝海軍) (Chairman and President)
(appointed as an executive Director, the Chairman and President on March 28, 2025)
- Mr. Dong Jiping (董計平)
- Ms. Meng Yilan (孟一蘭)
(appointed on March 28, 2025)

Non-executive Directors

- Mr. Wu Xiang (武翔)
(resigned as a non-executive Director and the Chairman 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)
(resigned on March 28, 2025)

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)
(resigned on March 28, 2025)
- Mr. Shen Jianzhong (沈建忠)
(appointed on March 28, 2025)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

- Mr. Hao Haijun (郝海軍)
(appointed as the Chairperson on March 28, 2025)
- Ms. Xie Xiaoyan (謝曉燕)
(appointed on March 28, 2025)
- Mr. Yao Feng (姚峰)
(reassigned from the Chairperson to a member on March 28, 2025)
- Mr. Shen Jianzhong (沈建忠)
(resigned on March 28, 2025)
- Mr. Xu, Zhan Kevin (許湛)
(resigned on March 28, 2025)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

- Mr. Yao Feng (姚峰)
(reassigned from a member to the Chairperson on March 28, 2025)
- Ms. Xie Xiaoyan (謝曉燕)
- Mr. Shen Jianzhong (沈建忠)
(reassigned from the Chairperson to a member on March 28, 2025)

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

Corporate Information

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

LEGAL ADVISORS

As to Hong Kong law
King & Wood Mallesons

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

	Year ended December 31,		Year-on-year change (%)
	2024 RMB'000	2023 RMB'000	
Revenue	20,096,160	18,693,896	7.5
Gross profit	5,782,990	4,469,785	29.4
Loss attributable to owners of the Company	(690,890)	(1,049,980)	34.2
Non-IFRSs measures:			
Cash EBITDA ^{Note 1}	5,324,910	3,851,418	38.3
Profit for the year (before biological assets fair value adjustments) ^{Note 2}	3,059,873	2,160,379	41.6
	Tons	Tons	
Annualized average milk yield per milkable cow (excluding Jerseys)	12.6	12.0	5.0

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2024.

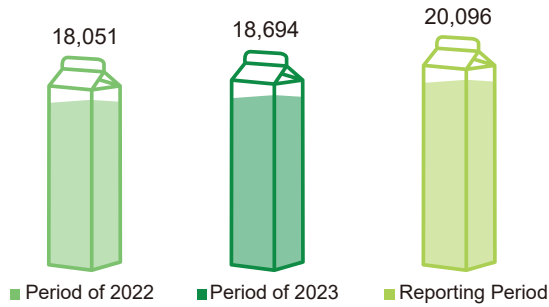
Notes:

1. It represents profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) impairment loss recognised in respect of property, plant and equipment and right-of-use assets, (v) losses arising from changes in fair value less costs to sell of biological assets, (vi) income tax expense, (vii) finance costs, (viii) interest income, and (ix) depreciation and amortization charged to profit or loss. The impairment loss recognized in respect of property, plant and equipment and right-of-use assets was included in the "Other gains and losses" account in prior years.
2. It represents profit for the year excluding losses arising from changes in fair value less costs to sell of biological assets.

Highlights

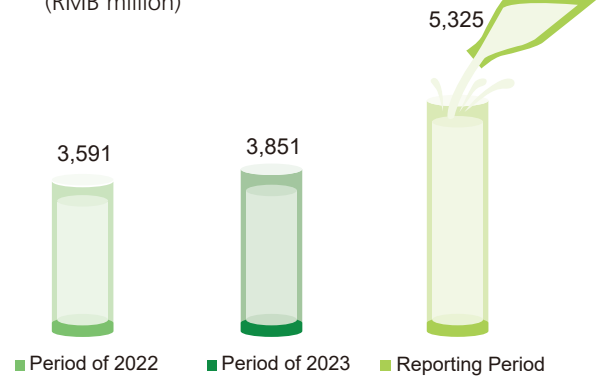
Steady growth of revenue

(RMB million)



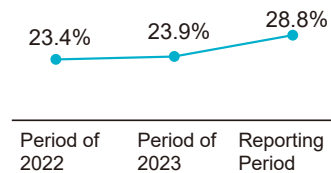
Cash EBITDA

increases significantly YOY during the Reporting Period
(RMB million)



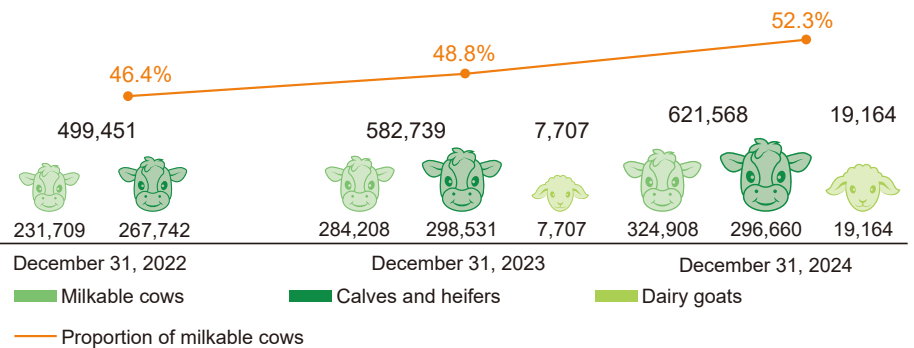
Gross profit margin

improves significantly YOY during the Reporting Period
(%)



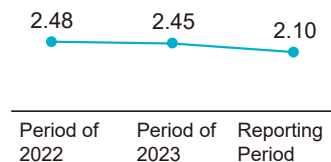
Continued expansion and optimization of herd structure

(heads)



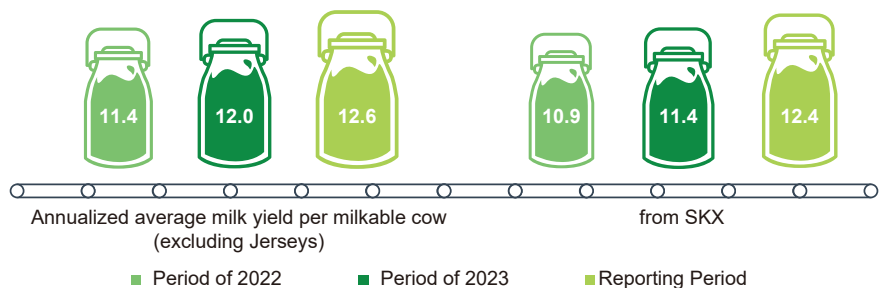
Feed cost of raw milk

declines YOY during the Reporting Period
(RMB/kg)



Annualized average milk yield per milkable cow hits new high

(tons/head/year)





Chairman's Statement



Hao Haijun

Chairman and President

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

During the Reporting Period, despite facing numerous challenges such as insufficient consumer confidence in China and imbalances in the supply and demand of raw milk, the Group remained steadfast in its strategic commitment to high-quality development. We focused on core areas including “lean operational management, breakthrough in technology innovations, synergies across the entire industry chain, deep digital empowerment, and green low-carbon transformation”, in order to mitigate the impact of short-term market fluctuations, while accelerating the development of long-term capabilities. Ultimately, in a complex and challenging environment, the Group successfully achieved dual breakthroughs in steady revenue growth and improved operational efficiency. During the Reporting Period, the Group's revenue increased by 7.5% year-on-year to RMB20,096 million, gross profit rose by 29.4% year-on-year to RMB5,783 million, and cash EBITDA grew by 38.3% year-on-year to RMB5,325 million.

BUSINESS REVIEW: HIGHLIGHTING RESILIENCE BY IN-DEPTH DEVELOPMENT ACROSS THE ENTIRE INDUSTRY CHAIN

Raw Milk Business: Mitigating Cyclical Fluctuations Through Technology Empowerment, Lean Operations, and Structural Optimization

The Group continued to strengthen its competitive advantages in the core business of raw milk. As of December 31, 2024, the number of operational dairy farms increased to 97, with the total herd size exceeding 620,000 cows. The proportion of milkable cows in the herd size of dairy cows increased by 3.5 percentage points year-on-year to 52.3%. Driven by the triple strategy of “lean management + technology empowerment + entire industry chain synergy”, the Group completed genetic improvement of nearly 20,000 cows by applying the embryo transfer technology and achieved a 5.0% year-on-year increase in the annualized average milk yield per milkable cow to 12.6 tons during the Reporting Period, among which, the milk yield per milkable cow of SKX farms increased by 8.8% year-on-year. The feed cost per kilogram of raw milk decreased by 14.3%, and the gross profit margin of raw milk improved by 4.1 percentage points year-on-year. Key quality indicators of raw milk, such as aerobic plate count and somatic cell count, surpassed EU standards, maintaining the Group's leading position in product quality within the industry.

Chairman's Statement



During the Reporting Period, the Group further enriched its portfolio of specialty raw milk products by introducing goat milk, completing a differentiated product matrix that now includes eight categories: Jersey milk, A2 milk, organic milk, DHA milk, goat milk, and others. Despite a 5.9% year-on-year decline in the average price of raw milk of the Group due to industry-wide price reductions, the Group achieved a 17.0% year-on-year increase in revenue from raw milk business through optimized herd structure, enhanced product mix, the operation of new dairy farms, improved milk yield per milkable cow, etc. This growth further solidified the Group's leading position in the industry.

Comprehensive Ruminant Farming Solutions: Technology-Driven Value Extension and Ecosystem Synergy Empowering Customers

In the concentrated feed business, the industry faced a challenging environment with narrowing profit margins during the Reporting Period. As a result, the Group's concentrated feed sales volume decreased by 5.0% year-on-year. To address cyclical industry fluctuations, the Group innovatively developed and launched three major brands: "Lv Mu You Jia (綠牧優加)", which focuses on low-carbon environmental protection and efficiency improvement; "Yuan Yi Mu YXC (元益牧YXC)", which enhances the immune function and feed utilization of beef cattle and mutton sheep; and "Mu Heng You (牧恒優)", specifically tailored to the nutritional parameters of grassland sheep at various growth stages, expanding the product brands to twelve categories. Through iterative upgrades in formulation technology, the Group launched a series of innovative products, including new concentrated feeds, complete feeds, lamb concentrate supplement, and mutton sheep premix. Simultaneously, the Group focused on building a precision service system to accelerate market penetration, driving innovation in production processes and advancements in feed formula design, while establishing a cost control system covering whole process. Additionally, leveraging the online platform, *Jumuc.com*, together with 27 county-level animal husbandry service centers and 26 offline pick-up stores, the Group has built an integrated online and offline marketing network. These initiatives yielded significant results, with the gross profit margin of the feed business increasing by 3.9 percentage points year-on-year and sales of concentrated feed for non-dairy cow including beef cattle and mutton sheep growing by 44.5% year-on-year, marking a breakthrough in the non-dairy cow livestock species concentrated feed market.



Chairman's Statement

In the forage grass business, during the Reporting Period, the Group successfully increased the re-greening rate of alfalfa to over 88% through advancements in alfalfa cold-resistant gene technology, upgraded wrapped silage processes and the SOP management system for alfalfa hay cultivation pioneered by it. The average yield of silage corn per mu at the Wuwei Forage Grass Plantation Base increased to 5.01 tons, with both dry matter and starch content exceeding 32%. Additionally, the Group effectively promoted the implementation of multiple "Revitalizing Inner Mongolia Through Science and Technology" projects, enhancing the technological sophistication of forage production and providing technical support and exemplary cases for the sustainable development of the industry. Leveraging its strengths in digital agriculture, precision agriculture, and sustainable agricultural management, the Group's Yihelvjin (伊禾綠錦) Forage Business was selected as a key case study by the Food and Agriculture Organization of the United Nations, offering valuable insights for the innovative transformation of China's agricultural systems.

In the breeding business, the Group has long been committed to breaking through the "breeding bottleneck" in high-end breeding sources and technologies development, as well as their industrial application. During the Reporting Period, the Group achieved multiple significant technological breakthroughs and practical outcomes in areas of breakthroughs in independent breeding, upgrading precision breeding, innovation in sex-sorted technology, disease-resistant/stress-resistant new strains breeding, and industrial application of sex-sorted embryos. We independently developed the "Breeding No. 1 Chip (育種1號芯片)", which precisely locates functional gene loci related to "high yield, longevity, and disease resistance", significantly improving the accuracy of genetic evaluation and the efficiency of genetic testing for dairy cows. Over 25,000 sex-sorted dairy cow embryos were produced, representing a year-on-year increase of 75.7%. According to the latest evaluation results of the comprehensive breeding value of Chinese dairy breeding bulls released by the National Animal Husbandry Service, independently bred breeding bulls secured the top three positions in a national evaluation of genomic group consisting of 1,022 young Holstein bulls. According to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2024, 10 of the Group's breeding bulls ranked among the top 20 dairy breeding bulls among the genomic bulls from China registered with the American National Association of Animal Breeders. Additionally, the Group made significant strides in diversifying its breeding business during the Reporting Period. One beef cattle core breeding base with highest standards domestically and one key breeding base for Saanen dairy goats in Qingshuihe, Inner Mongolia was put into production and operation.

In the ruminant farming products marketplace business, the Group innovated its vaccine sales model, expanded agricultural supply channels, and increased market coverage. Through strategic partnerships with over ten renowned suppliers, the Group developed its own brands and established an agency model. A supply chain traceability system was implemented to ensure product quality control and source verification, enhancing transparency and trust. The Group also continued to optimize the mobile experience of its platform by developing applications and mini-programs, enabling convenient on-the-go procurement and management, thereby comprehensively improving the operational efficiency of the entire supply chain.

Chairman's Statement

STRATEGIC PILLARS: INNOVATION, QUALITY, DIGITALIZATION, AND GREEN TRANSFORMATION AS QUADRUPLE ENGINES

Innovation Leadership: Significant Year-on-Year Increase of 76% in R&D Investment and Acceleration of Technology Commercialization

During the Reporting Period, the Group's R&D investment increased by 76% year-on-year. It accumulated 91 core patents in business segments such as breeding, feeds and dairy farming, and participated in the formulation and issue of six national, local, and industry standards. Breakthroughs were achieved in dairy cow sex-sorted embryo production, stress-resistant alfalfa breeding, low-carbon feed formulations and precision breeding. Notably, the "Lv Mu You Jia (綠牧優加)" low-carbon technology obtained authoritative certification, and the "Breeding Chip No. 1 (育種1號芯片)" provided a data foundation for genetic improvement. By undertaking major projects under "Agricultural Biological Breeding", the "National Dairy Technology Innovation Center", "Revitalizing Inner Mongolia Through Science and Technology" and other initiatives, the Group is transforming its technological advantages into industry influence.

Quality as the Foundation: Establishing Industry Benchmarks Through Full-Chain Control

The Group adheres to the "Three Comprehensives" quality management system (comprehensive participation, comprehensive process control, and comprehensive coverage) as its core principle. Through over 1,400 control standards, certifications in multiple food safety and quality-related management systems including SQF, near-infrared nutrition database and CNAS laboratory testing, the Group ensures 100% product quality compliance. Key indicators such as aerobic plate count and somatic cell count in raw milk are significantly superior to the national high-quality milk standards. Additionally, during the Reporting Period, 31 farms have obtained student milk certification, and 39 farms have been rated as S-grade modern farms, reflecting the continuous enhancement of the Group's quality assurance capabilities.

Digital Empowerment: Intelligent Farms and Factories Leading Industry Upgrading

Leveraging the "Intelligent Farm Cloud" intelligent farm management system, the Group has integrated 20 intelligent subsystems, including early warning for dairy farming related index and body condition scoring, to establish a digitalized management system for the entire lifecycle of dairy cows. The Group innovatively developed a precision nutrition system and upgraded TMR precision feeding, creating an automated evaluation system to improve feed conversion rates. AI-powered sprinkler and intelligent environmental control equipment were deployed to reduce water consumption and cow stress. The Group also pioneered the construction of a "fully intelligent unmanned barn," utilizing Internet of Things (IoT) and intelligent robot clusters to achieve precision management and enhance dairy cows welfare. Simultaneously, the Group integrated fully automated packaging production and micro-dosing systems. By "deeply integrating ERP and central control systems", it established a fully connected intelligent control chain for the entire production process, driving operational efficiency at feed production bases and setting a benchmark for digital and intelligent transformation.

Green Transformation: From Low-Carbon Practices to Industry Standard Setting

The Group is fully advancing its green development strategy, achieving breakthroughs in carbon reduction through the construction of photovoltaic farms (totaling 11), upgrading energy equipment at 54 farms, and developing ruminant carbon reduction technologies and low-carbon dairy cow breeding systems. By collaborating with silage and other suppliers, the Group carried out the integrated plantation and dairy farming and carbon sequestration practices across nearly 2,000,000 mu of land. The dairy farm in Jinan successfully passed the Verified Carbon Standard (VCS) audit and was granted 49,600 tons of carbon credits. It completed



Chairman's Statement

certifications for four low-carbon farms and one low-carbon breeding farm, and established China's first zero-carbon factory in the feed industry. The Group obtained ISO14001 (Environmental Management System) certification and achieved a CDP three management levels rating of B. Its S&P Global CSA score increased by 13 points, and it was included in the Sustainability Yearbook (China Edition) 2024, establishing a benchmark model for low-carbon transformation in the animal husbandry. Additionally, the Group has participated in formulating standards related to low-carbon farming and carbon footprint accounting, providing the industry with scientific and unified criteria for evaluation.

FUTURE OUTLOOK: ANCHORING HIGH-QUALITY DEVELOPMENT AND BUILDING A NEW ECOSYSTEM

In 2025, national policies will continue to focus on advancing new productive forces in agriculture and the comprehensive revitalization of rural areas. The Group will closely monitor the supply-demand balance of raw milk and policy trends, seize policy opportunities, and deepen the implementation of its established strategies. It will fully advance six core initiatives, injecting new momentum into business development through innovation-driven approaches, digital transformation, and lean management. Leveraging its platform, industry chain, and talent advantages, the Group will adhere to green development principles, enhancing core competitiveness and operational efficiency. Specifically, the Group will focus on the following strategic initiatives:

- i. In terms of raw milk business, the Group will build high-efficiency farms by leveraging precision nutrition and feed diversification to reduce costs and improve efficiency, while developing digital systems to enhance production performance;
- ii. In terms of feed business, the Group will expand market presence by offering solutions in the mode of "product + service" and deepen county-level animal husbandry services to strengthen competitiveness;
- iii. In terms of forage grass business, the Group will improve the quality, yield and conversion rate of forage grass through optimized planting and processing technologies, reducing breeding costs;
- iv. In terms of breeding business, the Group will focus on cultivating top-tier breeding bulls and producing high-quality frozen semen and sex-sorted embryos, accelerating the process of achieving self-sufficiency and control over breeding resources.


The Group will uphold its vision of "leading China's dairy farming industry and becoming the most trusted world-class dairy technology group". It will continue to deepen its presence in whole industry chain in upstream dairy sector, leveraging technological breakthroughs and lean management to navigate market fluctuations. By fostering collaboration across the industry chain, the Group aims to build a healthy industrial ecosystem. It is committed to achieving a harmonious balance of delivering substantial returns to the Shareholders, fostering rapid employee growth, and realizing social value. Through these efforts, the Group will inject sustained momentum into the long-term development of the dairy industry and establish a new benchmark for the sector.

APPRECIATION

Here, on behalf of the Board and the management team, I would like to extend my sincere gratitude to all employees for their hard work, to our Shareholders for their trust and support, and to our partners for their collaborative efforts and mutual success. Let us join hands and embark on this new journey together!

Hao Haijun
Chairman and President
March 28, 2025

Distribution Map of Production Bases



97 self-operated dairy farms
Covering 17 provinces, municipalities and autonomous regions with a herd size of over 620,000 dairy cows and nearly 20,000 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 more than 1.14 million tons during the Reporting Period



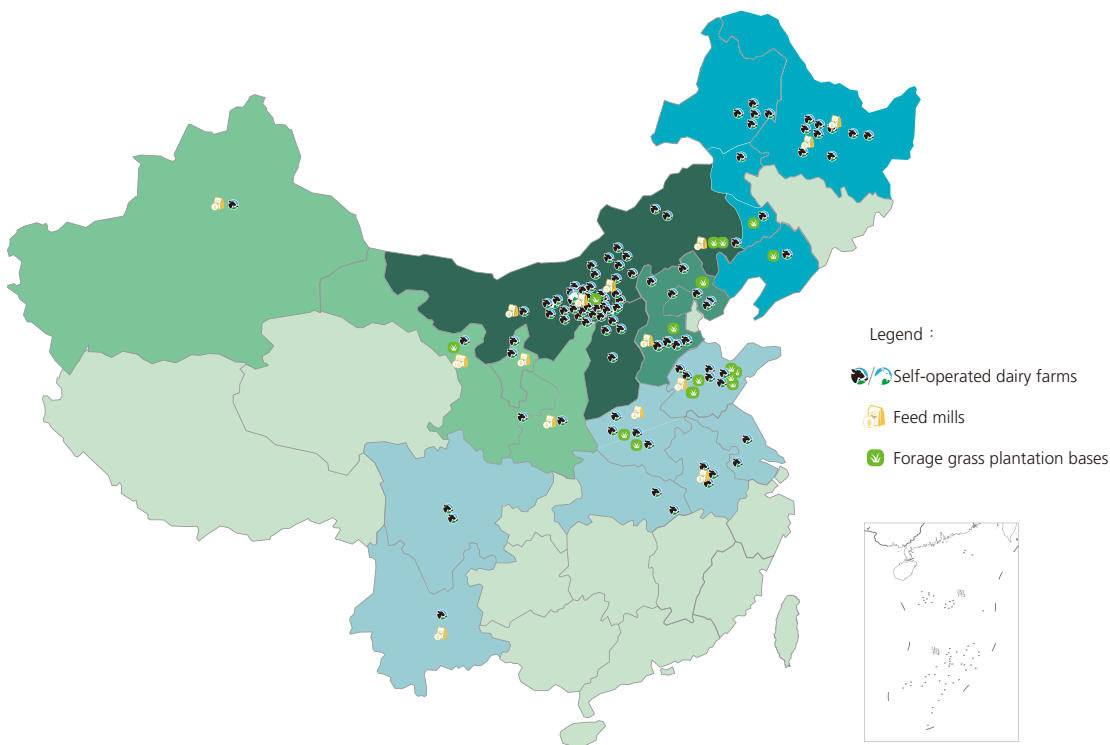
16 forage grass plantation bases
Having built forage grass plantation bases centered on Ar Horqin Banner, the China's "Grass Capital", for producing premium forage grass



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



1 dairy farming industry chain platform, 26 offline pick-up stores and 27 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, 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	20	2	4	8
Northwest Region	6	1	4	1
Total	97	6	15	16



Awards and Recognition

01 JULY 2024 DAIRY ASSOCIATION OF CHINA

Major Scientific and Technological Innovation Achievement in the Dairy Industry – The Standardization and Key Technologies of Intelligent Farms in the Dairy Industry Project

INNER MONGOLIA YOURAN DAIRY CO., LTD.



02 JULY 2024 DAIRY ASSOCIATION OF CHINA

Major Scientific and Technological Innovation Achievement in the Dairy Industry – World-class High Breeding Value Breeding Bulls Cultivation Project

INNER MONGOLIA SAIKEXING REPRODUCTIVE BIOTECHNOLOGY (GROUP) CO., LTD.



03 JANUARY 2024 PEOPLE'S GOVERNMENT OF INNER MONGOLIA AUTONOMOUS REGION

Inner Mongolia Autonomous Region Chairman's Quality Award

INNER MONGOLIA YOURAN DAIRY CO., LTD.



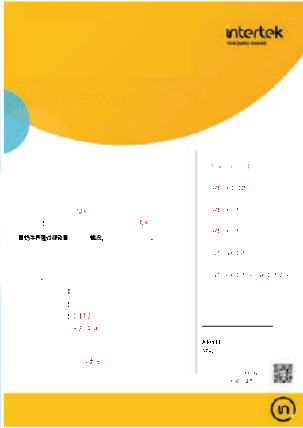
04 FEBRUARY 2024 CHINA INSIGHTS CONSULTANCY

Zero-carbon Feed Production Plant

INNER MONGOLIA MUQUAN YUANXING FEED CO., LTD.



Awards and Recognition



05

MAY 2024 **INTERTEK TESTING SERVICES LTD., SHANGHAI**
Low-carbon Dairy Farming Farm
PINGDINGSHAN YOURAN DAIRY CO., LTD.

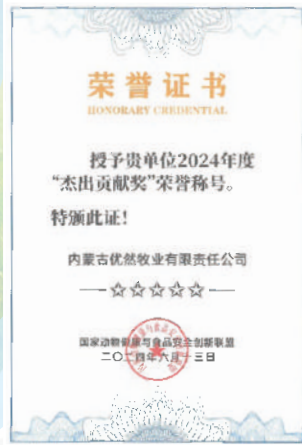
06



06

JUNE 2024 **CHINA RURAL SPECIAL TECHNOLOGY ASSOCIATION**
Inner Mongolia Tumed Left Banner Dairy Cow Science and Technology Hub
INNER MONGOLIA YOURAN DAIRY CO., LTD. CHILECHUAN ECOLOGICAL INTELLIGENT DAIRY FARM

07



07

JUNE 2024 **CHINA ANIMAL HEALTH AND FOOD SAFETY INNOVATION ALLIANCE**
China Animal Health and Food Safety "Outstanding Contribution Award"
INNER MONGOLIA YOURAN DAIRY CO., LTD.

08



08

JUNE 2024 **INNER MONGOLIA AUTONOMOUS REGION FEDERATION OF INDUSTRY AND COMMERCE INNER MONGOLIA AUTONOMOUS REGION DEVELOPMENT AND REFORM COMMISSION**
Top 100 Private Enterprises in Inner Mongolia (ranked 10th) - Distinguished Contribution Award
INNER MONGOLIA YOURAN DAIRY CO., LTD.



Management Discussion and Analysis

INDUSTRY REVIEW

During the Reporting Period, China's consumer market showed steady recovery, while the adjustment of raw milk production capacity achieved more results. According to data from the National Bureau of Statistics, the total output of raw milk decreased by 2.8% year-on-year to 40.79 million tons, with year-on-year declines of 5.8% and 9.0% in the third and fourth quarters, respectively. However, weak consumer confidence and persistent supply-demand imbalances in the industry continued to exert significant pressure on the dairy products industry. As a result, both milk and cattle prices fell to multi-year lows. Data from the Ministry of Agriculture and Rural Affairs indicated that the average price of raw milk in China's major dairy-producing provinces decreased by 13.5% year-on-year to RMB3.32/kg during the Reporting Period. Under the circumstances, the market demand for ruminant concentrated feed and forage grass as well as breeding products was also suppressed. Nevertheless, the decline in prices of bulk raw materials partially offset the impact of lower raw milk prices on the industry. Data from the Ministry of Agriculture and Rural Affairs showed that the average prices of soybean meal and corn decreased by approximately 14.8% and 21.3% year-on-year, respectively. Additionally, according to statistics from China Customs, the price of imported alfalfa hay dropped by approximately 27.9% year-on-year, which alleviated cost pressures on the upstream dairy products industry to a certain extent and helped maintain a relatively stable development trend for the sector.

To promote the sustainable and stable development of the animal husbandry, alleviate challenges in the beef cattle and dairy cows sectors, and stabilize foundational production capacity, in September 2024, the Ministry of Agriculture and Rural Affairs, along with four other departments, jointly issued the Notice on Stabilizing Beef Cattle and Dairy Cows Production and Promoting Consumption (《關於穩定肉牛奶牛生產促進消費的通知》). This notice introduced a series of comprehensive policy measures, including initiatives such as "subsidies for expanding the dairy cow herd", "issuing dairy product consumption vouchers", and "expanding the Student Milk Program". These efforts aim to establish a dynamic balance mechanism between production capacity regulation and demand stimulation.

In February 2025, the Opinions of the Central Committee of the Communist Party of China and the State Council on Further Deepening Rural Reform and Solidly Advancing Comprehensive Rural Revitalization (《中共中央國務院關於進一步深化農村改革、扎實推進鄉村全面振興的意見》) was released. The document proposed the development of new quality productive forces in agriculture, emphasizing breakthroughs in core technologies, continued advancement of industrialization in biological breeding, and support for the development of smart agriculture, as well as expanding application scenarios for technologies such as artificial intelligence and big data. It is evident that livestock enterprises with capabilities in high-quality breeding and intelligent farming technologies will become a key focus of policy support.

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. By accelerating the construction of high-yield core herds, we enhanced production performance effectively, and explored potential from multiple dimensions to reduce costs and increase efficiencies. Additionally, the Group 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 amounted to RMB20,096 million during the Reporting Period, representing an increase of 7.5% as compared with RMB18,694 million in the period of 2023.

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 December 31, 2024, the Group operated 97 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China, with a herd size of over 620,000 heads of dairy cows and a herd size of nearly 20,000 heads of dairy goats. During the Reporting Period, the Group’s raw milk production was 3,747,448 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 5.0% from the period of 2023. Among them, the annualized average milk yield per milkable cow of SKX was 12.4 tons, representing an increase of 8.8% from 11.4 tons in the period of 2023. The pure Saanen dairy goats imported by the Group from New Zealand and Australia started to produce milk, and our specialty raw milk offerings were further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB15.10 billion, representing an increase of 17.0% from the period of 2023 and accounted for approximately 75.1% 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 December 31, 2024, the Group operated 15 feed mills and 16 forage grass plantation bases in China. During the Reporting Period, the Group's production of concentrated feed was 1,142,885 tons.	During the Reporting Period, revenue from the Group's comprehensive ruminant farming solutions was approximately RMB5.00 billion and accounted for approximately 24.9% 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> , and 26 offline pick-up stores to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle in China and overseas.	As of December 31, 2024, the Group operated 5 key breeding bases, with one key breeding base for beef cattle having the highest standard in China and one key breeding base for Saanen dairy goats newly added during the Reporting Period. As of December 31, 2024, the Group's breeding bulls have a herd size of 112 heads. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,144,814 straws/units, and the output of sex-sorted embryos was over 25,000 units, representing a year-on-year increase of 75.7%, 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.	

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. 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 December 31,		Year-on-year change (%)
	2024	2023	
Number of self-operated dairy farms ^{Note 1}	97	91	Increased by 6 farms
Number of dairy cows (in heads)	621,568	582,739	6.7
Including: Milkable cows	324,908	284,208	14.3
Calves and heifers	296,660	298,531	(0.6)
Proportion of milkable cows in the herd size of dairy cows	52.3%	48.8%	Increased by 3.5 percentage points
Herd size of dairy goats (in heads)	19,164	7,707	148.7

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 year ended December 31,		Year-on-year change (%)
	2024	2023	
Raw milk production volume (in tons)	3,747,448	3,020,182	24.1
Raw milk sales volume (in tons)	3,669,563	2,945,840	24.6
Average price of raw milk (RMB/kg)	4.12	4.38	(5.9)
Annualized average milk yield per milkable cow (excluding Jerseys ^{Note 1}) ^{Note 2} (in tons)	12.6	12.0	5.0
Including: SKX (in tons)	12.4	11.4	8.8

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 milkable cow as compared to Holsteins.
- For the year ended December 31, 2024, the annualized average milk yield per milkable cow is calculated by dividing the total raw milk production volume by the average number of milkable cows during that period.



Management Discussion and Analysis

Farm overview and herd structure

As of December 31, 2024, the Group operated 97 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China, and the number of dairy cows was 621,568, including 324,908 milkable cows, accounting for 52.3% of the total number of the Group's dairy cows, increasing by 3.5 percentage points as compared with 48.8% as of December 31, 2023. The number of dairy cows increased by 6.7% as compared with 582,739 as of December 31, 2023. As of December 31, 2024, the number of dairy goats was 19,164, including 6,876 milkable goats, 12,288 young female goats and female goat lambs. 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 3,747,448 tons, representing an increase of 24.1% from 3,020,182 tons for the period of 2023. The annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 5.0% from 12.0 tons for the period of 2023, among which the annualized average milk yield per milkable cow of SKX was 12.4 tons, representing an increase of 8.8% from 11.4 tons for the period of 2023.

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

- i. Effective implementation of lean production management. The Group has adopted the TPM system as its core framework, systematically enhancing farm efficiency through the "Lean Culture – Standardized Processes – Digital Transformation" model. This approach has driven a year-on-year increase of 5.0% in the annualized average milk yield per milkable cow (excluding Jerseys) and a year-on-year decrease of 14.3% in feed cost per kilogram of raw milk. All quality indicators of the raw milk surpassed EU standards. Notably, Dayang Ranch passed the final audit for the Award for Excellence in Consistent TPM Commitment by the Japan Institute of Plant Maintenance (JIPM), becoming the first dairy farm in China to receive this certification. This achievement signifies that the Group's lean management has reached internationally advanced levels.

Management Discussion and Analysis

- ii. Effective synergies across businesses. The Group has effectively integrated ruminant feed research and development (“R&D”) with advanced breeding techniques. Leveraging its in-house R&D team, dairy cow nutrition database, and production bases, the Group has established a comprehensive “Precise Nutrition – Efficient Farming – High-Quality Breeding” value chain. Through precise nutrition assessments, customized premix feeds, and carbon-reducing products such as “Lv Mu You Jia (綠牧優加)”, the Group has significantly improved the milk yield per milkable cow, milk protein content, and feed conversion efficiency, while simultaneously reducing methane emissions. By combining embryo transfer technology with the identification of the cow herds with high-yield and low emission, the Group has accelerated genetic improvement, achieving goals of resource-intensive utilization and green, low-carbon development. These efforts have laid a solid foundation for sustainable business growth.
- iii. Empowering business with technology. The Group has established a technology system centered on “Data-Driven Decision Making – Smart IoT – Breeding Innovation”. Leveraging its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, the Group has integrated 20 subsystems, including the early warning for dairy farming related index and body condition scoring, to achieve digital management throughout the entire lifecycle of dairy cows. The Group has also built a precision nutrition system for dairy cows, upgraded TMR precision feeding, and established an automated evaluation system to improve feed conversion efficiency. Additionally, the deployment of AI-powered sprinkler and intelligent environmental control equipment has effectively reduced water consumption and dairy cow stress. By applying ovum pick-up-in vitro fertilization (OPU-IVF) embryo transfer technology combined with whole-genome testing, the Group has completed genetic improvements for nearly 20,000 dairy cows. Through the creation of triple barriers in data assets, intelligent equipment, and breeding technologies, the Group has significantly enhanced dairy farm efficiency and profitability. During the Reporting Period, Inner Mongolia Youran’s full-industry-chain intelligent livestock solution was selected as a model case of 2024 national intelligent agriculture construction by the Ministry of Agriculture and Rural Affairs, solidifying its leading position in the technological development of the upstream dairy industry.
- iv. The strategically placed new dairy farms and one dairy goat farm have begun to release their production capacity. During the Reporting Period, the Group put 6 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. The Group will continue to optimize the structure of raw milk products and provide consumers with higher quality and healthier dairy products.

Management Discussion and Analysis

- v. Practicing low-carbon and environmental protection strategy. The Group has advanced its low-carbon transformation through three major pathways: energy substitution, equipment innovation, and industry standard-setting leadership. In terms of energy substitution, during the Reporting Period, the Group added 3 new photovoltaic farm projects, bringing the total number of photovoltaic farm projects implemented to 11, of which 5 have achieved self-sufficiency in green power. Additionally, the Group upgraded coal/biomass boilers to air-source heat pumps and waste heat recovery systems in 54 dairy farms, significantly improving energy efficiency. For low-carbon equipment innovation, the Group actively promoted the use of electric loaders and intelligent electric feed-pushing robots. During the Reporting Period, it pioneered the introduction of new energy equipment, such as electric milk-transporting vehicles, and installed high-efficiency energy-saving livestock fans in 2 dairy farms. Furthermore, the Group completed AI-powered precision sprinkler upgrades in 15 dairy farms, effectively reducing energy consumption. In terms of industry standard-setting leadership, during the Reporting Period, the national standard Greenhouse Gases – Quantification Methods and Requirements for Product Carbon Footprint – Livestock Products (《溫室氣體 產品碳足蹟量化方法與要求 畜產品》), formulated by the Group, in collaboration with the Chinese Academy of Agricultural Sciences and other institutions, was officially released. The release of this standard marks a significant breakthrough for the Group in the field of carbon footprint quantification in the animal husbandry, providing the sector with scientific and unified evaluation criteria. Additionally, the Group obtained low-carbon dairy farm certifications for 4 dairy farms and low-carbon breeding certification for 1 dairy farm. Notably, the dairy farm in Jinan received the authoritative “Four-Star Low-Carbon Dairy Farm” certification from the CTC, setting a benchmark for green and low-carbon development in the industry.



Chilechuan Ecological Intelligent Dairy Farm



Intelligent AI Powered Automatic Sprinkler System

Raw milk R&D and study on dairy farming technology

Leveraging its own dairy nutrition database, the Group has established an advanced platform for herd nutrition and health R&D. Through gene screening and embryo technology, the Group has driven genetic improvements in its core herd population, continuously optimizing feed conversion and precision nutrition to achieve simultaneous enhancements in herd production efficiency and the nutritional value of raw milk. Concurrently, the Group has developed specialty raw milk products. During the Reporting Period, it expanded into goat milk production, forming a diversified product matrix that includes Jersey milk, A2 milk, DHA milk, organic milk, and goat milk.

Management Discussion and Analysis

In the area of green farming, the Group has conducted research on carbon emission reduction technologies, utilizing advanced equipment to monitor methane emissions. It has also developed and launched carbon-reducing feed products and promoted the cultivation of high-yield corn varieties. Additionally, the Group has participated in formulating standards related to low-carbon farming and carbon footprint accounting, establishing a replicable low-carbon operational model. These efforts provide the industry with replicable technical solutions.



Jerseys



Dairy Goats

(II) Comprehensive Ruminant Farming Solutions

As the scale of dairy farming in China continues to expand and farming technologies advance, the Group has deeply recognized that high-quality forage and feed, along with advanced breeding technologies, are the foundation for ensuring the health and high productivity of dairy cows. Based on this understanding, the Group has fully committed to optimizing its business layout, with its advantages across multiple key dimensions becoming increasingly prominent. Innovations in feed R&D have led to the introduction of highly efficient and premium products. A comprehensive technical service network has been established to provide timely and precise support. The quality grass selection and cultivation, combining domestic and international technologies, have improved both the quality and yield of forage grass. Breakthroughs have been achieved in independent herd genetic improvement and sex-sorting technologies, effectively enhancing herd quality and farming efficiency.

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, 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.



Management Discussion and Analysis

Leveraging its strategies of the dual-talent systems of dairy farming and farming solutions, core technology accumulation of its in-house technical team, and advantages accumulated from its own long-term and large-scale farming in different regions with different scales, the Group established a senior expert service team comprising nearly 200 experts with technical services and dairy farm management experience to provide customers with various services such as comprehensive diagnosis, tailored solutions, breed selection and matching, precision nutrition, effective breeding and technology escrow. These, together with the Group's online platform *Jumuc.com*, county-level animal husbandry service centers and pick-up stores, provide customers with comprehensive one-stop solutions.

Guided by an innovation-driven philosophy, the Group has established an intelligent, data-centric integrated solution system. By integrating industry benchmark practices and incorporating lean management models, the Group has enhanced customer feeding efficiency and resource utilization, continuously empowering farm profitability growth. Additionally, the Group has established a technical collaboration mechanism, introducing cutting-edge animal husbandry technologies. Through training and case study sharing, it disseminates advanced concepts, helping farms reduce costs and improve efficiency, which has garnered significant market recognition.

Concentrated feed business

The Group has deepened its expertise in ruminant animal nutrition and actively expanded its business during the Reporting Period, adding three new product categories to bring the total to twelve. These categories precisely cater to the needs of dairy cows, beef cattle, mutton sheep, dairy goats, camels and yaks. With professional formulations and high-quality products, the Group provides precision nutrition solutions for ruminant animals at different growth stages and with varying production performance requirements, further solidifying its leading position in this field.

During the Reporting Period, the Group's concentrated feed sales volume reached 878,120 tons. However, due to the market environment characterized by narrowing profit margins in the dairy cows and beef cattle and mutton sheep farming industries, sales volume decreased by 5.0% year-on-year. In response to cyclical industry fluctuations, the Group implemented a multi-dimensional strategic upgrade. This included developing new products, upgrading existing products, enhancing technical service capabilities, optimizing marketing strategies, and establishing a new model for the ecological development of county-level animal husbandry service centres. These measures provided customers with comprehensive one-stop solutions, effectively enhancing their operational efficiency. Additionally, the Group deepened its lean operational management system by optimizing production processes, improving formula designs, and controlling production costs, with a particular focus on expanding the market for concentrated feed products for beef cattle and mutton sheep. These initiatives yielded significant results, with the gross profit margin of the feed business increased by 3.9 percentage points year-on-year.

Management Discussion and Analysis

Optimization of production capacity layout and green intelligent upgrade

The Group processes and produces concentrated feed through “self-construction dairy farms + cooperation with third parties”. As of December 31, 2024, the Group operated 15 feed mills in China. During the Reporting Period, the Group’s concentrated feed production amounted to 1,142,885 tons, representing a decrease of 3.5% from 1,184,630 tons for the period of 2023, due to the effect from market environment and cyclical industry fluctuations.

The Group’s newly built feed mills are all equipped with state-of-the-art equipment and facilities as well as high-end technologies, laying a solid foundation for the improvement of production efficiency and product quality. During the Reporting Period, the premix production plant in Ulanqab passed the certification audit of FAMI-QS (European Feed Additives and Premixtures Quality System), providing more precise and high-quality solutions for the industry’s nutritional needs in the era of high-yield productivity.



Central Control Room of the Feeds Workshop

In terms of intelligent upgrade, 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 the Enterprise Resource Planning (ERP) system and central control system”, realized the automation and intelligence of the production process and significantly improved production efficiency and management level, providing strong technology support for full optimization of the business chain. The Daqing Muquan Yuanxing Feed Production Base* (大慶牧泉元興飼料生產基地) of the Group was awarded the title of “2024 Heilongjiang Province Digital (Intelligent) Demonstration Workshop.” This recognition marks a successful implementation of the Group’s digitalization strategy in its feed business.

In the field of green and sustainable development, 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 implemented various initiatives, including the application of green electricity through photovoltaic power generation, upgrading to new energy vehicles, adopting environmentally friendly filling processes, promoting bulk packaging models, and developing and launching low-carbon feed products. During the Reporting Period, it successfully obtained a carbon neutrality certificate from the CTC, becoming the first “zero-carbon factory” in China’s feed industry. This achievement sets a benchmark for the industry’s green transformation.

Management Discussion and Analysis

Brand building and channel expansion

In terms of feed brand building, the Group achieved innovative breakthroughs during the Reporting Period by strategically launching three major brands: “Lv Mu You Jia (綠牧優加)”, which focuses on low-carbon environmental protection and efficiency improvement; “Yuan Yi Mu YXC (元益牧YXC)”, which enhances the immune function and feed utilization of beef cattle and mutton sheep through multi-stage fermentation technology with composite strains; and “Mu Heng You (牧恒優)”, specifically tailored to the nutritional parameters of grassland sheep at various growth stages. The synergistic layout of these three brands has further expanded the product matrix, providing farmers with a richer selection of nutritional options. During the Reporting Period, aligned with the “Dual Carbon” goals, the Group significantly enhanced its brand influence by establishing the industry’s first “zero-carbon factory”, hosting a new product launch event for carbon-reducing feeds, and implementing integrated online and offline marketing campaigns.

In terms of channel expansion of the feed business, the Group has adopted a precision service model, providing customers with personalized “one farm, one solution” service plans to enhance market penetration in the dairy cow feed sector. Leveraging the “Thousand-Ton Initiative”, the Group has established a standardized SOP nutritional management system for beef cattle and mutton sheep, while also creating benchmark beef cattle farms for customers. Additionally, the Group has entered into a strategic cooperation with Fuping County, Shaanxi to explore the dairy goat feed market. Addressing the industry pain point of the “last-mile” delivery in the supply chain, the Group has strategically established 27 county-level animal husbandry service centers in regions such as Inner Mongolia, Shandong, Gansu and Ningxia. By integrating online and offline development models, these centers facilitate efficient connections across supply chain nodes, promoting high-quality industry development. These initiatives have driven a year-on-year increase of 44.5% in the sales volume of concentrated feed for non-dairy livestock such as beef cattle and mutton sheep, fully demonstrating the significant effectiveness of the channel expansion strategy.



Concentrated Feed Products

Management Discussion and Analysis

Concentrated feed product development and technology research to promote product excellence

The Group has positioned technological innovation as its core strategy. In the field of low-carbon technologies, our independently developed “Lv Mu You Jia (綠牧優加)” carbon-reducing and yield-enhancing feed achieves dual optimization of carbon emission reduction and production performance. Related achievements have been published in three papers in journals included in the international Science Citation Index (“SCI”) and domestic core journals, and have received authoritative certifications, establishing the Group as an industry technology benchmark. For dairy cow farming, we have launched new concentrated and complete feeds, improving nutrition and conversion efficiency while reducing overall costs through formula upgrades. Additionally, we have optimized calf anti-diarrhea formulas and the trace mineral ratios for breeding cows, enhancing milk quality indicators and reproductive efficiency. In the beef cattle and mutton sheep sector, we have introduced products such as lamb concentrate supplements, mutton sheep premixes, and fattening concentrates for beef cattle and mutton sheep, significantly improving feed conversion rates and weight gain speeds. Leveraging bio-fermentation technology, we developed “Yuan Yi Mu YXC (元益牧YXC)”, which enhances animal immunity, and achieved regionally adaptive efficiency improvements through the “Mu Heng You (牧恒優)” grassland sheep customization program. In the field of camel nutrition, we innovatively developed a series of lactation feed products, increasing milk yield and simultaneously improving milk protein and fat content through high-fiber energy ratios. Moving forward, we will continue to advance green feed R&D and international technological collaboration to drive high-quality and sustainable development in the animal husbandry.

Extensively practicing lean management to improve operational capabilities

The Group has deeply implemented the TPM system and lean operational management in its feed business, achieving efficiency improvements through lean transformation across the entire value chain. During the Reporting Period, the Group focused on the implementation of three core initiatives: i. building automated equipment and intelligent management systems, optimizing and reconstructing production processes to achieve zero-fault production, improving overall equipment efficiency, and reducing production loss rates; ii. establishing a strategic procurement mechanism and a dynamic optimization model for warehousing and logistics, and leveraging big data analysis to enhance raw material inventory turnover rates; iii. optimizing feed formulations to reduce formula costs while improving raw material utilization. The lean management philosophy has also been extended to the customer side. Through data diagnostics and on-site guidance, the Group has helped customers optimize their operational processes and enhance overall profitability. These systematic lean practices have driven continuous improvement in the feed business, injecting long-term momentum into high-quality business development.



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 promoted long-term sustainable development of the integrated plantation and dairy farming model by giving full play to 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 16 forage grass plantation bases for the production of high-quality forage grass products, realizing the efficient utilization of resources and the deep integration of the industry chain, and providing stable and high-quality forage resources for the raw milk business.



Forage Grass Plantation Bases

High-quality products and industry-leading technology

During the Reporting Period, the Group significantly enhanced the environmental adaptability and yield of alfalfa hay through its self-developed alfalfa cold-resistant gene technology and alfalfa excellent germplasm hybridization technology and other technologies, through which the overall regreening rate of the Group's alfalfa hay reached over 88%, ranking top in the industry. Meanwhile, the Group took the lead in developing the wrapped silage technology, which effectively retains alfalfa protein, improves the palatability for dairy cows and assures the quality of alfalfa to the greatest extent. In addition, the Group pioneered the SOP management system for alfalfa hay cultivation in the industry, achieving standardized management of the whole process from planting to harvesting, ensuring the high quality and stability of the products. The average yield of silage corn per mu at the Wuwei Forage Grass Plantation Base reached 5.01 tons, with both dry matter and starch content exceeding 32%. Through the R&D and application of large-scale alfalfa and oat intercropping technology, the Group has effectively reduced the production and operation costs, improved the efficiency of land use and further enhanced its market competitiveness.

Management Discussion and Analysis

Integration of plantation and dairy farming and ecological sustainability

The Group took the lead in implementing the technology and model of integration of plantation and dairy farming in China to actively promote the improvement of saline-alkali and sandy land, and conducted in-depth research on soil carbon sequestration technology to promote the “increase of foreign carbon sink exchange” of plantation bases. By optimizing the technical standards of the integrated plantation and dairy farming model, the Group achieved standardized operations for water and fertilizer integration, and implemented no-tillage carbon sequestration seeding operation in about 65,300 mu of land, significantly enhancing both the ecological and economic benefits of the land.

Deep integration of science and technology innovation and production practice

The Group actively undertook and carried out a number of experiment works of scientific and technological projects to empower the operation of forage grass with science and technology. During the Reporting Period, the Group successfully completed the project of “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)” under the initiative of revitalizing Inner Mongolia through science and technology, developed 6 sets of large-scale alfalfa production and processing utilization technologies in the northern region, and applied for patents and took the lead in formulating a number of group and local standards. Simultaneously, the Group advanced multiple projects under the initiative of revitalizing Inner Mongolia through science and technology. By undertaking scientific and technological research projects, the Group closely integrated the practice of high-quality forage production with scientific and technological innovation, and continued to improve the level of field management and care. Significant achievements have been achieved in variety selection, standardized plantation, efficient water-saving irrigation, alfalfa regreening, afforestation and sand fixation, pest prevention and control and formula fertilization testing and other aspects, which have enhanced production efficiency. In addition, through technological empowerment, the Group has also promoted the standardization and large-scale development of forage grass production. The implementation of these projects not only enhanced the technological content of forage grass production, but also provided technical support and demonstration cases for the sustainable development of the industry.

Leveraging its strengths in digital agriculture, precision agriculture and sustainable agricultural management, the forage grass business from Yihe Lvjin (伊禾綠錦) within the Group successfully secured a spot in the key cases of the United Nations Food and Agriculture Organization during the Reporting Period. This achievement has provided valuable experience for the innovative transformation of China’s agricultural system.

Ruminant farming products marketplace business

As of December 31, 2024, the Group provided over 10,000 ruminant farming products for customers through the online platform, *Jumuc.com*, 26 offline pick-up stores nationwide, which comprehensively covered various core business operational needs of dairy farms and provided one-stop sourcing solutions to its customers.



Management Discussion and Analysis

During the Reporting Period, revenue from the Group's dairy farming products business amounted to RMB415 million, representing an increase of 4.5% as compared to RMB397 million for the period of 2023, 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 gave full play to its industry chain integration advantages by actively expanding new business areas and focusing on building private label products, expanding agricultural sales channels by establishing a new sales model for vaccines, covering more regions and markets. Meanwhile, the Group has entered into in-depth strategic cooperation with more than ten famous domestic and overseas suppliers, jointly developed a series of high-quality private label products and established an agency cooperation model. During the Reporting Period, the Group successfully launched its own branded medicated bath liquid "Juweidian (聚威典)", and initiated regional agency cooperation with strategic suppliers, which further enhanced the market coverage and brand influence of the products and built up strong core competitiveness.
- (ii) Ensuring product quality and optimizing the mobile experience and platform functions of *Jumuc.com*. The Group has always regarded product quality as the core of its business development. By building a comprehensive supply chain traceability system, the Group ensures that the quality of its platform products is controllable and the source of the products can be traced, so as to enhance the credibility of its platform and the transparency of its product information, thereby strengthening customer trust. At the same time, the Group continued to optimize the mobile experience and responsive design of *Jumuc.com* platform by developing mobile applications and increasing the usage scenarios of mini programs for mobile use, which enabled customers to conveniently complete their procurement and management operations anytime and anywhere. These initiatives not only enhanced the user experience, but also further improved the platform's full supply chain operational efficiency.

Breeding Business

The Group provides dairy farms with diversified breeding products including regular frozen bovine semen, sex-sorted frozen bovine semen and embryos for dairy cattle and beef cattle, and accelerates the development of a world-class breeding bulls system through the dual-wheel drive of in-house breeding and international cooperation. Through strategic cooperation with world's leading breeding companies, the Group integrates global high-quality germplasm resources, promoting the commercialization of whole genome testing technology. Combined with sex-sorted embryo production and transfer technology, the Group customizes precise genetic improvement solutions for ranches to assist in the efficient construction of core herds. Meanwhile, relying on the online platform *Jumuc.com*, the Group has deepened its customer services and continued to enhance its product penetration and market competitiveness, thereby solidifying its leading position in the industry.

During the Reporting Period, the sales volume of the breeding products of the Group amounted to 1,144,814 straws/units, representing a decrease of 16.4% as compared to 1,368,707 straws/units during the period of 2023 due to short-term industry factors. However, the Group actively adjusted the structure of breeding products to enhance the production and sales of embryo products for the overall genetic level of dairy cows. During the Reporting Period, the Group produced over 25,000 sex-sorted breeding embryos of dairy cows, representing a year-on-year increase of 75.7%, 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 five modernized breeding bases in Inner Mongolia, China and Wisconsin, the United States, of which three are core breeding bases for dairy cattle, one is a key breeding base for beef cattle and one is a key breeding base for Saanen dairy goats. As of December 31, 2024, the Group's breeding bulls have a herd size of 112 heads.

The dairy cattle breeding base in Qingshuihe, Inner Mongolia is a core breeding farm that meets international standards with a designed capacity of 3,500 dairy cows. Equipped with a world-class embryo production laboratory, it integrates ovum pick-up-in vitro fertilization (OPU-IVF) technology and sex-sorted technology to realize the rapid expansion of high-yield dairy cows and breeding cows. The annual production capacity includes 50,000 high-yield sex-sorted embryos, 2,000 breeding embryos, and 500 breeding bulls. In the future, it will become China's largest and most technologically integrated cow breed supply base, effectively alleviating the shortage of high-yield dairy cows in China.

During the Reporting Period, the Group commissioned a core beef cattle breeding base in Qingshuihe, Inner Mongolia, which meets the highest standard in China. The base introduced high-quality Simmental dairy cows from Australia and New Zealand, and established a comprehensive beef cattle breeding database to record genealogy, growth and reproductive performance data, which provides strong data support for accurate beef cattle breeding. This base is 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, providing a solid guarantee for the optimization of the germplasm resources and sustainable development of China's beef cattle industry.

During the Reporting Period, the Group commenced operations of one Saanen dairy goats key breeding base in Qingshuihe, Inner Mongolia, which imported pure Saanen breeding goats from New Zealand and Australia. As of December 31, 2024, the number of breeding goats, young male goats and male goat lambs reached 590. This base not only meets the Group's needs for expanding its dairy goat population, but will also provide a reliable breed source for the dairy goat breeding system in the future, continuously supporting industry upgrades with superior breed sources.

Breeding product development and technological innovation

The Group has long been committed to breaking through the "breeding bottleneck" in high-end breeding sources and technologies development, as well as their industrial application. Leveraging its own high-standard core breeding base and embryo engineering center platform, the Group has deeply integrated the advanced research capabilities of Academician Zhang Yong (張涌)'s workstation, the Company's own research institute with six laboratories, the National Dairy Technology Innovation Center – Dairy Cow Breeding and Farming Research Center, the Ministry of Agriculture and Rural Affairs' Key Laboratory of Cow Germplasm Creation and Embryo Engineering Technology, and the Dairy Herd Improvement (DHI) testing system. During the Reporting Period, the Group, in collaboration with universities and research

Management Discussion and Analysis

institutions, achieved multiple significant technological breakthroughs and practical outcomes in the field of livestock biological breeding:

- (i) Breakthroughs in independent breeding: we developed a new technology for producing breeding embryos in dairy cows using Ovum Pick-Up-Intracytoplasmic Sperm Injection/In Vitro Fertilization (OPU-ICSI/IVF). By exploring breed sources from internationally top-ranked bulls and high-quality domestic cows, the Group achieved mass production of dairy cow breeding embryos at an internationally leading level. The first batch successfully bred 8 reserve breeding bulls, marking a milestone in the establishment of an independent dairy cow breeding system;
- (ii) Upgrading precision breeding: we independently developed the “Breeding No. 1 Chip (育種1號芯片)”, which precisely locates functional gene loci related to “high yield, longevity, and disease resistance”. Leveraging the “Breeding Big Data Platform”, which integrates 9 million sets of DHI production data and 30,000 sets of type classification data, the Group has significantly improved the accuracy of genetic evaluation and the efficiency of genetic testing for dairy cows. This provides core technical support for the genetic improvement of the localized “Chinese Dairy Cow” population and the extension of productive lifespans of breeding cows;
- (iii) Innovation in sex-sorted technology: based on the XY sperm-specific proteins discovery and gene editing technology in dairy cows and dairy goats, the Group has developed key new technologies and new products for sex-sorted frozen semen production. This drives the iteration of sex-sorted technology towards higher efficiency and simplification, providing innovative technical support for precise gender regulation in livestock;
- (iv) Disease-resistant/stress-resistant new strains: we conducted stem cell/somatic cell gene editing and successfully established core technical processes for gene editing vector design and cell screening. The Group has taken the lead in entering the stage of gene editing – cloned embryo production – embryo transplantation for functional regulation of offspring, laying the technical foundation for breeding new livestock strains with disease resistance and stress resistance;



Dairy Breeding Bulls



Laboratory for Breeding Business

Management Discussion and Analysis

- (v) Industrial application of sex-sorted embryos: we innovatively integrated a series of technologies for in vivo/in vitro sex-sorted embryo production in dairy cows. The Group systematically optimized key technologies, including the genetic performance of donor cows for embryo production, superovulation hormone combinations, Ovum Pick-Up-In Vitro Fertilization (OPU-IVF) embryo development, and cryopreservation. This has established an efficient production technology process for high-yield dairy cow sex-sorted embryos. During the Reporting Period, over 25,000 high-yield sex-sorted embryos were produced, accelerating the rapid expansion of elite breeds and enhancing breeding efficiency.

The aforementioned achievements mark significant progress in the Group's efforts to achieve "independent and controllable breed sources and self-reliant core breeding technologies" in livestock. These advancements have further enhanced the precision and efficiency of dairy cow genetic evaluation technologies and streamlined the livestock sex-sorted production technologies. They have also expanded key areas such as the development of disease-resistant and stress-resistant new livestock strains and the industrial application of sex-sorted embryo technologies, achieving systematic and major breakthroughs in independent breeding, particularly in dairy cows, in terms of both breed sources and technologies. This provides core support for ensuring the security of China's livestock breeding industry and enhancing its industrial competitiveness.

Leveraging on the Group's continuous investment and the development and application of its core technologies, during the Reporting Period, according to the latest evaluation results of the comprehensive breeding value of Chinese dairy breeding bulls released by the National Animal Husbandry Service, among the 1,022 genomically evaluated young Holstein bulls nationwide, the bulls bred by the Group excelled in the level of genetic breeding and successfully secured the top three spots and occupied six out of the top ten spots. Meanwhile, according to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2024, among the genomic dairy bulls from China registered with the American National Association of Animal Breeders, 10 bulls bred by the Group were ranked among the top 20 in China. This series of achievements fully demonstrated the Group's leading strength in the field of dairy breeding and further consolidated our competitive advantages in both domestic and overseas markets.

II. RESEARCH AND DEVELOPMENT STRATEGIES MANAGEMENT

Leveraging more than four decades of experience in operation and research, and its own breeding sources of over 620,000 dairy cows and nearly 20,000 dairy goats, the Group has continued to plough into the R&D efforts of the whole industry chain in the upstream dairy industry, focusing on innovation of herd farming technologies, development of specialty raw milk, research on the nutrition value of feed, breakthroughs in genetic improvement technology and sex-sorting technology for cattle, as well as systematic exploration and practice of integrated farming model and eco-farming standards, promoting industrial technology upgrading. During the Reporting Period, R&D investment increased significantly by 76.0% year-on-year.



Management Discussion and Analysis

The Group focuses on the improvement of the quality and competitiveness of its products with innovative technologies. In particular:

- i. The core technology R&D system. As of December 31, 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 added 12 new patented technologies for authorization during the Reporting Period, and possessed a total of 91 core patented technologies, covering each of our business lines. During the Reporting Period, the Group participated in the formulation and release of 1 national standard, 4 local standards and 1 group standard, forming solid technical barriers;
- ii. Construction of diversified product matrix. During the Reporting Period, the Group successfully launched the goat milk category and expanded its specialty raw milk to 8 categories, which, benefiting from its certain scarcity, 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, and continued to improve its ruminant nutrient solutions;
- iii. Key technology research and achievement transformation. The Group has built a leading ruminant nutrient database in China, deepened the application of herd genetic improvement technology and sex-sorting technology, and innovated forage grass processing technology and planting mode. Through joint efforts with renowned colleges and research institutions, the Group promoted agricultural biological breeding major program, 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, and accelerated the industrialization of R&D results by focusing on the key technological issues of the upstream industrial chain of the dairy industry, such as dairy cattle breeding and cultivation, mining of high-quality germplasm sources for dairy cattle and alfalfa germplasm selection and breeding technology. During the Reporting Period, in terms of forage grass business, the Group continued to promote projects of revitalizing Inner Mongolia through science and technology including "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)", "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)" and "Alfalfa Herbicide Residue and Reduction Technology Research and Demonstration (苜蓿除草劑殘留與消滅技術研發與示範)". In terms of breeding business, the Group has continued to promote a number of scientific research projects such as "Construction of Efficient Production and Implantation Technology for Sex-sorted Embryos of Dairy Cows (奶牛性控胚胎高效生產與移植技術構建)", "Construction of a Big Data Platform for Dairy Breeding and Research on Functional Gene Mining (奶牛育種大數據平台建設與功能基因挖掘研究)", "Research on the Key Technology for Breeding Low-Carbon Emission and Heat-Stress Resistant Dairy Cows and Technological Innovation for Introducing and Expanding Breeding Technology for Dairy Sheep (低碳排放與抗熱應激奶牛培育關鍵技術研究及奶羊引種擴繁技術創新)", and "Key Technological Innovation for Mining Germplasm Sources of High-end Dairy Cows and Efficient Breeding (高端奶牛種源挖掘及高效繁育關鍵技術創新)".

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 continue to consolidate the foundation for quality management through three cores, namely quality culture construction, full-chain quality control and high-quality products output. We continue to implement the quality management system among all the staff, during the full process and in all aspects and adheres to the production program of “high quality, high standards and high requirements” to ensure that product quality is always at the leading level in the industry.

The Group adheres to the philosophy of “good breeding breeds good cows, good feed raises good cows, and good cows produce good milk”. The Group has formulated more than 1,400 strict control standards for each step of the process, from forage grass planting, feed processing, breeding and production to fresh milk transportation, and ensured that they are implemented in place through real-time monitoring, analysis and gate-keeping. Meanwhile, based on international advanced standards, we continuously upgrade the quality management system, and have passed various food safety and quality related management system certifications, including the SQF (Safe Quality Food system), ISO9001 (the quality management system), ISO22000 (the food safety management system) and ChinaGAP (China Good Agricultural Practice), ISO17025 (China National Accreditation Service for Conformity Assessment (CNAS) Laboratory Management System), and FAMI-QS (European Feed Additives and Premixtures Quality System). As the first comprehensive enterprise of dairy farming and feed processing in China that has passed SQF certification, the Group has deeply integrated international standards with basic management to create the “full value chain” quality management model, which has continuously improved product quality and market competitiveness.

The Group has established a leading near-infrared nutrition database with the volume of marked samples exceeding one million, which provides important support for accurate nutrition and efficient testing in animal husbandry. The Group has ensured the high-quality feed ingredients and products for self-operated dairy farms and feed customers by applying raw material adulteration identification technology in the animal husbandry industry. In addition, relying on the near-infrared database, the quality information management system and the EHSQ (Environment, Health, Safety and Quality) management system, the Group has realized the intelligent collection, transmission and analysis of quality information of the whole chain, which has significantly improved quality management efficiency. In addition, during the Reporting Period, the Group, in response to the testing needs of various units for nutritional digestibility indicators, successfully expanded a new testing method for the gelatinization degree of pressed corn, which was comprehensively promoted in 27 central laboratories across the country, providing highly efficient data support for nutritional formulations.

During the Reporting Period, the Group continued to optimize its quality assurance and risk prevention and control system through auditing mechanism, quality alert mechanism and supplier evaluation mechanism. We achieved significant results in quality improvement by quickly identifying known and unknown risks, improving the quality management information system and implementing the normalizing quality assurance control points (QACP) inspection mechanism, etc. 31 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.



Management Discussion and Analysis

During the Reporting Period, the Group's products consistently maintained a 100% pass rate in the quality sampling tests conducted by national supervision and inspection authorities at all levels. The key quality indicators of raw milk, namely aerobic plate count and somatic cell count, were significantly exceeding the standards set forth in China's Premium Milk Initiative (中國國家優質乳工程) and the industry standards of the United States, Japan and the European Union.

IV. PROCUREMENT STRATEGIES MANAGEMENT

The Group utilizes a "full lifecycle" supplier management system, focuses on the core strategy of cost reduction and efficiency enhancement, and achieves significant improvement in supply chain efficiency through various procurement strategies such as hedging of futures, strategic reserve, direct purchase from sources, global purchases and dynamic pricing, as well as the implementation of the "Digitalization Project of the Whole Process of Material Procurement Planning and Execution". During the Reporting Period, through 75 collaborative projects with 20 strategic suppliers, we carried out in-depth cooperation in the areas of technology sharing, resource integration and product development, fully exploring opportunities for cost reduction and revenue enhancement, and at the same time, promoting lean management and talent cultivation on the ranch.

The Group has actively promoted sustainable development cooperation with its suppliers and jointly promoted the deforestation-free soybean meal project with strategic suppliers to help low-carbon farming. Starting from May 2024, the Group's Cilechuan Intelligent Dairy Farm has taken the lead in using certified deforestation-free soybean meal, marking an important step in the construction of the Group's green supply chain and laying a solid foundation for the realization of the goal of low-carbon farming.

V. DIGITAL MANAGEMENT

Adhering to the principle of "data-driven business innovation, technology-driven value-added business", the Group fully 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. Through integration and governance mechanisms, the Group focuses on building four core 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 capacities.

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, the TMR hatching system and the intelligent biological fermentation system, which are the most internationally advanced. In combination with the IoT technology, the temperature, humidity, gas and light of the barn are real-time adjusted and conditioned, which greatly improves the comfort of dairy cow feeding and enhances the management accurate of dairy farms, improves operational efficiency, and provides intelligent protection for the production of high-quality raw milk.

Management Discussion and Analysis

During the Reporting Period, the Group independently developed digital tools such as “Precision Nutritional Program for Dairy Cows”, “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 AI algorithm model, the Group gradually achieved the automation of production and operation of data collection, unmanned operation and remote management, and comprehensive optimization of business chain.

The Group has continued to optimize its operational efficiency and cost structure through the in-depth integration of digital technology with its business, injecting a strong impetus for high-quality development and further consolidating its leading position in the industry.

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, and actively implementing various carbon reduction initiatives to promote sustainable development in multiple dimensions, including carbon inventory, carbon emission reduction, carbon asset development and carbon sink construction.

In terms of carbon inventory and verification, the Group has continuously carried out relevant work, 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 relevant work 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 49,600 tons of carbon credits. Meanwhile, in terms of carbon sink construction, the Group vigorously develops the “planting-dairy farming integration” model, promotes grassland improvement and forage planting and the construction of low-carbon circular pastures to expand the carbon sink storage space. 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, injecting strong impetus into green development.

The Group has been actively leveraging its industrial and technological advantages by implementing the “Straw to Milk” program, providing local farmers with organic fertilizers and promoting silage varieties free of charge, enhancing the starch content of the purchased silage corn and its conversion rate and boosting the incomes of farmers and herdsmen in the vicinity at the same time, and enhancing the quality of agricultural products and the value of agricultural output.



Management Discussion and Analysis

During the Reporting Period, the Group's sustainable development practices were recognized by various parties, with the S&P Global Corporate Sustainability Assessment (CSA) score increasing by 13 points compared with the previous year, and 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, making it the only company in the food industry recognized as the "Best Progress Enterprise in the Industry (行業最佳進步企業)". In addition, the Group successfully passed the ISO14001 (Environmental Management System) certification and was awarded the management level (Grade B) rating in the three areas of climate change, water safety and forest risk in 2024 by the Carbon Disclosure Project (CDP).

VII. PROSPECTS

Going forward, the Group will grasp the development opportunities arising from the national policy dividend and the promotion of consumption, unswervingly implement the Company's established strategic policies, continue to implement the six core strategic initiatives in depth, take innovation as the strong driving force, empower all businesses in an all-round manner with the help of digitalization means and lean management mode. By giving full play to the advantages of platform, synergy across the industry chain and talent resources, the Group has been adhering to the concept of green and sustainable development, fully building its core competitiveness, improving operational efficiency and expanding its revenue and profit margins, as detailed below:

- i. 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 to upgrade as a whole;
- ii. the feed business will expand the market coverage, provide systematic solutions to customers through the "product + service" model, enhance the profitability of customers, and tide over the difficulties of the industry. The Group will continue to deepen the model of county-level animal husbandry service centers to build the ecology of the industrial chain and enhance customer stickiness and market competitiveness;
- iii. the forage grass business will improve the quality, production and conversion rate of forage, optimize the planting mode and processing technology, provide high quality forage grass resources for ranches and reduce the cost of farming; and
- iv. the breeding business will breed breeding cattle with excellent quality and produce high-quality and low-cost frozen semen and embryos to promote the independent control of germplasm sources for dairy cows, beef cows and dairy goats, and to help the industry improve genetically.

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 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 7.5% from RMB18,694 million for the period of 2023 to RMB20,096 million for the Reporting Period.

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

	For the year ended December 31,	
	2024 RMB'000	2023 RMB'000
Raw milk	15,100,802	12,902,987
Comprehensive ruminant farming solutions	4,995,358	5,790,909
Total	20,096,160	18,693,896

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

Our revenue generated from raw milk increased by 17.0% from RMB12,903 million for the period of 2023 to RMB15,101 million for the Reporting Period, which was mainly due to the increase of 24.6% in the sales volume of our raw milk from 2,945,840 tons for the period of 2023 to 3,669,563 tons for the Reporting Period as a result of continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure; due to the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in domestic raw milk, the average unit price of raw milk of the Group was RMB4.12/kg for the Reporting Period, representing a decrease of 5.9% as compared to RMB4.38/kg for the period of 2023.

Our revenue generated from comprehensive ruminant farming solutions decreased by 13.7% from RMB5,791 million for the period of 2023 to RMB4,995 million for the Reporting Period, which was mainly due to (i) the decrease in sales volume resulting from the influence of industry demands and prompt and proactive adjustments in our sales strategy based on risk control; and (ii) the decline in the market price of bulk raw materials. The Group has made dynamic adjustments to product prices, leading to a lower income.

Cost of sales

Our cost of sales increased by 7.3% from RMB17,499 million for the period of 2023 to RMB18,782 million for the Reporting Period.

Management Discussion and Analysis

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

	For the year ended December 31,	
	2024 (RMB'000)	2023 (RMB'000)
Raw milk	10,156,340	9,206,651
Comprehensive ruminant farming solutions	4,156,830	5,017,460
Total	14,313,170	14,224,111

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

Cost of sales for the raw milk business before raw milk fair value adjustments increased by 10.3% from RMB9,207 million for the period of 2023 to RMB10,156 million for the Reporting Period, which was primarily due to new dairy farms being put into operation successively 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 RMB2.10/kg, representing a decrease of 14.3% from the period of 2023, which was primarily due to the continuous decrease in the market price of bulk raw materials, and the Group's precise control of the procurement timing through supply chain process management, which maximized the reduction of raw material procurement costs, as well as our enhanced lean operation management and continuous improvement in feed conversion rate and milk yield per milkable cow.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments decreased by 17.2% from RMB5,017 million for the period of 2023 to RMB4,157 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, the effective progress in cost reduction of product formula, and the precise control of the procurement timing to maximize the reduction of raw material procurement costs.

Fair value adjustment on agricultural produce included in cost of sales increased by 36.4% from RMB3,275 million for the period of 2023 to RMB4,469 million for the Reporting Period.

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

Our gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest were RMB3,275 million for the period of 2023 and RMB4,469 million for the Reporting Period, respectively, mainly due to the combined effect of the increase in sales volume of raw milk and the overall decline in the domestic selling price of raw milk. 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.

Management Discussion and Analysis

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB4,470 million for the period of 2023, representing a gross profit margin of 23.9%, and a gross profit of RMB5,783 million for the Reporting Period, representing a gross profit margin of 28.8%.

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

	For the year ended December 31,			
	2024		2023	
	RMB'000 (except for percentage)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Raw milk	4,944,462	32.7%	3,696,336	28.6%
Comprehensive ruminant farming solutions	838,528	16.8%	773,449	13.4%
Total	5,782,990	28.8%	4,469,785	23.9%

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 RMB3,696 million for the period of 2023 to RMB4,944 million for the Reporting Period. The gross profit margin of the raw milk business increased from 28.6% for the period of 2023 to 32.7% 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 combined impact of the Group's precise control of the procurement timing through supply chain process management to maximize the reduction of raw material procurement costs, and the Group's strengthened lean operation management and continuous improvement in feed conversion rate and milk yield per milkable cow.

The gross profit of the comprehensive ruminant farming solutions business increased from RMB773 million for the period of 2023 to RMB839 million for the Reporting Period. The gross profit margin of comprehensive ruminant farming solutions business increased from 13.4% for the period of 2023 to 16.8% 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 increased from RMB3,613 million for the period of 2023 to RMB3,921 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 during the Reporting Period, which was partially offset by the increase in milk yield per milkable cow and continuous decline of feed cost.



Management Discussion and Analysis

Other income

Our other income increased by 21.1% from RMB454 million for the period of 2023 to RMB549 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 increased from RMB7 million for the period of 2023 to RMB24 million for the Reporting Period, which was primarily due to the impact of the dairy industry environment, and the provisions made for bad debt losses on several customers by the Company.

Impairment loss recognised in respect of goodwill

Our impairment loss recognised in respect of goodwill for the period of 2023 amounted to RMB121 million, while there was no impairment loss for goodwill during the Reporting Period.

Impairment loss recognised in respect of property, plant and equipment and right-of-use assets

Our impairment loss recognised in respect of property, plant and equipment and right-of-use assets for the period of 2023 amounted to RMB8 million, and that for the Reporting Period amounted to RMB513 million. This was mainly due to the impact of the industry environment, which has led to indications of impairment on certain long-term assets of the Group's dairy farms located in low raw milk price regions in Northwest China. In accordance with the requirements of IAS 36 Impairment of Assets, the Group conducted impairment tests. Based on the results of these tests, the Group recognised impairment losses for the portion of the long-term assets whose recoverable amount was lower than their carrying amount.

Other gains and losses

Our other gains and losses for the period of 2023 reflected a gain of RMB143 million, and a loss of RMB102 million for the Reporting Period, primarily due to the increase in the impairment loss recognised in respect of interests in associates, and the decrease in fair value gain on financial assets at FVTPL.

Selling and distribution expenses

Our selling and distribution expenses increased by 2.1% from RMB620 million for the period of 2023 to RMB632 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 of raw milk; and (ii) less marketing expenses. The proportion of selling and distribution expenses in our revenue decreased from 3.3% for the period of 2023 to 3.1% for the Reporting Period, which was primarily due to the efficient operation and management of the Group, leading to significant results in cost control.

Management Discussion and Analysis

Administrative expenses

Our administrative expenses increased by 3.7% from RMB778 million for the period of 2023 to RMB807 million for the Reporting Period, which was primarily due to the increased administrative expenses for new dairy farms put into operation and the increased insurance expenses for new cattle, resulting in a year-on-year increase in total expenses. The proportion of administrative expenses in our revenue decreased from 4.2% for the period of 2023 to 4.0% for the Reporting Period, primarily due to efficient operation and management of the Group, leading to significant results in cost control.

Other expenses

Our other expenses increased by 74.6% from RMB70 million for the period of 2023 to RMB123 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 16.5% from RMB1,083 million for the period of 2023 to RMB903 million for the Reporting Period, which was primarily due to decreased finance costs as a result of the decline in the Group's total bank borrowings and a lower financing rate.

Loss before tax

As a result of the foregoing, the Group's loss before tax decreased from RMB1,360 million for the period of 2023 to RMB774 million for the Reporting Period.

Income tax expense

Our income tax expense decreased by 6.8% from RMB93 million for the period of 2023 to RMB87 million for the Reporting Period, primarily due to the decline in profit from our taxable business.

Loss for the year

As a result of the foregoing, we generated a loss of RMB1,453 million for the period of 2023, compared with a loss of RMB861 million for the Reporting Period, representing a year-on-year reduction in loss of 40.7%, 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 finance cost.



Management Discussion and Analysis

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.

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 year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) impairment loss recognised in respect of property, plant and equipment and right-of-use assets, (v) loss arising from changes in fair value less costs to sell of biological assets, (vi) income tax expense, (vii) finance costs, (viii) interest income, and (ix) depreciation and amortisation charged to profit or loss. The impairment loss recognized in respect of property, plant and equipment and right-of-use assets was included in the "Other gains and losses" account in prior years; and
- ii. Profit for the year (before biological assets fair value adjustments) is derived from loss for the year 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 year attributable to owners of the Company, which represented (loss)/profit attributable to owners of the Company for the year after adjusting the difference between the effective interest of the Convertible Notes recognised at amortised 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 (RMB190 million for the period of 2023) and thus this non-IFRS measure is equivalent to (loss)/profit for the year attributable to owners of the Company for the Reporting Period.

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

Management Discussion and Analysis

Cash EBITDA

	For the year ended December 31,	
	2024 RMB'000	2023 RMB'000
Loss for the year	(861,487)	(1,452,892)
Adjustments:		
Other gains and losses	102,152	(143,430)
Impairment loss recognised in respect of goodwill	–	120,966
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	512,850	7,879
Impairment losses under the expected credit loss model, net of reversal	24,473	6,629
Losses arising from changes in fair value less costs to sell of biological assets	3,921,360	3,613,271
Adjusted profit for the year	3,699,348	2,152,423
Adjustments:		
Income tax expense	87,022	93,388
Finance costs	903,487	1,082,592
Interest income	(64,869)	(28,234)
Depreciation and amortisation charged to profit or loss	699,922	551,249
Cash EBITDA	5,324,910	3,851,418

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

	For the year ended December 31,	
	2024 RMB'000	2023 RMB'000
Loss for the year	(861,487)	(1,452,892)
Adjustments:		
Losses arising from changes in fair value less costs to sell of biological assets	3,921,360	3,613,271
Profit for the year (before biological assets fair value adjustments)	3,059,873	2,160,379



Management Discussion and Analysis

Liquidity and Capital Resources

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

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

	For the year ended December 31,	
	2024 RMB'000	2023 RMB'000
Net cash generated from operating activities	5,838,114	4,389,964
Net cash used in investing activities	(5,596,889)	(4,344,378)
Net cash (used in)/from financing activities	(3,114,935)	2,989,958
Net increase/(decrease) in cash and cash equivalents	(2,873,710)	3,035,544
Effects of foreign exchange rate changes	38	544
Cash and cash equivalents at the beginning of the year	4,488,341	1,452,253
Cash and cash equivalents at the end of the year	1,614,669	4,488,341

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB5,838 million. During the period of 2023, net cash generated from operating activities was RMB4,390 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities was RMB5,597 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB4,810 million; (ii) payments for property, plant and equipment of RMB1,680 million; and (iii) payments for purchase of financial assets of RMB1,467 million, partially offset by the proceeds from the disposal of financial assets of RMB1,425 million and the proceeds from the disposal of biological assets of RMB736 million.

In the period of 2023, net cash used in investing activities was RMB4,344 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB5,188 million; (ii) acquisition of financial assets at FVTPL of RMB4,500 million; and (iii) payments for property, plant and equipment of RMB2,758 million, partially offset by the proceeds from the disposal of biological assets of RMB1,088 million and the proceeds from disposal of financial assets at FVTPL of RMB6,580 million.

Net Cash (Used in)/Generated from Financing Activities

During the Reporting Period, net cash used in financing activities was RMB3,115 million, which was mainly attributable to (i) new bank and other borrowings of RMB25,958 million; and (ii) repayment of principal and interest payments on bank and other borrowings of RMB28,894 million.

Management Discussion and Analysis

In the period of 2023, net cash generated from financing activities was RMB2,990 million, which was mainly attributable to (i) new bank and other borrowings of RMB37,627 million; (ii) repayment of bank and other borrowings of RMB32,008 million; and (iii) payment for the redemption of the Convertible Notes of RMB1,450 million.

Indebtedness

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Bank borrowings		
Unsecured	23,169,645	24,823,071
Secured	856,388	1,213,390
Other borrowings	230,369	223,127
	24,256,402	26,259,588
The carrying amounts of the above borrowings are repayable:		
Within one year	16,709,437	16,433,086
More than one year but within two years	2,108,005	3,851,780
More than two years but within five years	4,241,060	4,147,876
More than five years	1,197,900	1,826,846
	24,256,402	26,259,588
Less: Amounts due within one year shown under current liabilities	(16,709,437)	(16,433,086)
Amount shown under non-current liabilities	7,546,965	9,826,502
Lease liabilities	2,236,807	1,822,701
Less: Amount due within one year shown under current liabilities	(248,410)	(220,788)
Amount shown under non-current liabilities	1,988,397	1,601,913
Other liabilities at amortised cost	–	7,310
Portion classified under current liabilities	–	(7,310)
Portion classified under non-current liabilities	–	–



Management Discussion and Analysis

Contingent Liabilities

As at December 31, 2024, the Group had no significant contingent liability.

Net Gearing Ratio

As at December 31, 2024, the Group's net gearing ratio was 185.2%, representing an increase of 20 percentage points as compared to 165.2% as at December 31, 2023, mainly due to the decrease in total equity during the year as affected by the industrial environment. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, less pledged and restricted bank deposits and deposits placed with a related party under current assets) divided by total equity and multiplied by 100%.

Capital Commitment

As at December 31, 2024, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB949 million (as at December 31, 2023: RMB1,617 million), representing a decrease as compared with the capital commitment of December 31, 2023, which was mainly due to the decrease in expense for purchase of assets as the Group completed the strategic blueprint of construction of dairy farms on the golden milk source belt, which led to significant reduction of investment scale.

Pledge of Assets

As at December 31, 2024, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 51.73% of shares of SKX, 60.59% of shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% of shares of Tangshan Youran Dairy Co., Ltd. held by a wholly-owned subsidiary of the Group, as well as pledged and restricted bank deposits in the carrying amount of RMB6 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 respective functional currency of the Group's entities.

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

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

Management Discussion and Analysis

Significant Investments

Save as disclosed in this annual report, the Group did not make or hold any significant investments (including any investment in an investee company representing 5%, or more of the Company's total assets as at December 31, 2024) during the Reporting Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, as of December 31, 2024, the Group did not have 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 and July 15, 2024.

During the Reporting Period, Inner Mongolia Youran as the lessee and Xianyang Zhongshanmu Smart Agriculture Co., Ltd.* (咸陽仲山牧智慧農業有限公司) ("**Xianyang Zhongshanmu**") as the lessor entered into the lease agreement (the "**Lease Agreement**") in respect of the lease of assets. The assets subject to the lease is a newly built high standard 10,000-head dairy farm (the "**Assets**") located in Tiewang Township, Chunhua County, Xianyang City, Shaanxi Province, the PRC. In accordance with IFRS 16 (Leases), the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Assets under the Lease Agreement. Accordingly, the lease transaction under the Lease Agreement is regarded as acquisition of assets by the lessee for the purpose of the Listing Rules. Further details of the aforementioned matter are set out in the announcement of the Company dated March 28, 2025.

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.



Management Discussion and Analysis

Employees and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations by function as at December 31, 2024.

Function	Number of Staff	% of Total
Management Personnel	1,264	9.8%
Professional Personnel ^{Note 1}	1,449	11.2%
Technicians	3,016	23.3%
Skilled Personnel ^{Note 2}	6,864	53.1%
Supporting Personnel ^{Note 3}	337	2.6%
Total	12,930	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, maintenance personnel, and calf raisers.
3. Supporting personnel primarily include custodians, chefs and cleaning operatives.

Our success depends on our ability to attract, retain, motivate qualified employees and maintain a stable core management team and technical team. In this regard, the Group adheres to “building an efficient talent supply chain”, and makes comprehensive layout of talent guarantee, capability enhancement, organisational efficiency and cultural construction. Details of which are set out below:

- i. Talent guarantee: The Group established cooperation relationships with colleges to achieve the integration of industry and teaching as well as the combination of industry and research, and continuously introduce quality industry talents. Meanwhile, we built “a specialised, yet versatile” and multi-skilled management team, improved the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to ensure the alignment of the career development of employees with the Group’s strategic goals.

Management Discussion and Analysis

- ii. **Capability enhancement:** The Group established a three-dimensional talent cultivation system that includes the delivery of managerial talents, the cultivation of positional competencies and the nurturing of experts. We utilised 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 digitalised talent cultivation model. During the Reporting Period, the Group relied on the “Talent Leader” project, and focused on five major dimensions including the culture, curriculum, scene, experience and counseling, to strengthen the “combination of training and practice”, and promote the dual-driven model of nurturing people and talents. Additionally, the Group cooperated with domestic and international industry experts, colleges, and enterprises, selecting and sending outstanding talents to study abroad, so as to introduce advanced technology and management experience, to promote the transformation of resource and international exchange.
- iii. **Organisational efficiency enhancement:** The Group continued to promote strategic performance change, and strengthened the connection between strategies and organisational value. Through formulating the 2024 Business Unit Performance “Horse Race” Competition Plan (《2024年業務單位業績「賽馬」評比方案》), we launched the performance evaluation at three levels, with performance as the guiding force to stimulate the vitality of employees. Meanwhile, the Group enhanced the per capita labor efficiency through the introduction of automated equipment, the optimisation of management mode and the application of digital. In addition, we improved our incentive programs in innovation, revenue generation and cost reduction.
- iv. **Cultural construction:** The Group formulated a strategic direction with the guidance of our vision and deepened the operation and management philosophy, as well as the staff code of conduct, so as to strengthen cultural communication and system integration. During the Reporting Period, the Group upgraded its business philosophy and code of conduct, reigniting the entrepreneurial spirit of “second venture”, and promoted our corporate culture through cultural team building, training and empowerment, learning and dissemination, and theme activities, comprehensively creating consistency from concepts to actions and enhancing the company’s core competitiveness.

The Group’s total remuneration expenses, excluding contributions to pension plans, for the Reporting Period were RMB1,257 million, representing an increase of 8.0% as compared to RMB1,164 million for the period of 2023.



Report of Directors

The Board of the Company is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

DIRECTORS

The Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors

- Mr. Yuan Jun (袁軍)
(appointed as the Chairman on June 14, 2024, and resigned as an executive Director, the Chairman and the President on March 28, 2025)
- Mr. Hao Haijun (郝海軍) (Chairman and President)
(appointed as an executive Director, the Chairman and the President on March 28, 2025)
- Mr. Dong Jiping (董計平)
- Ms. Meng Yilan (孟一蘭) *(appointed on March 28, 2025)*

Non-Executive Directors

- Mr. Wu Xiang (武翔) *(resigned as a non-executive Director and the Chairman 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) *(resigned on March 28, 2025)*

Independent Non-Executive Directors

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

Biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 65 to 69 of this annual report.

In accordance to Article 108 of the Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Xu Jun, Mr. Xu, Zhan Kevin and Ms. Xie Xiaoyan shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM. Pursuant to paragraph 4(2) of Appendix A1 to the Listing Rules and Article 112 of the Articles of Association, any Director so appointed as an addition to the Board or to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Yang Huicheng, Mr. Hao Haijun and Ms. Meng Yilan shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

Report of Directors

CHANGES IN DIRECTOR'S INFORMATION

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

Name of Director	Details of Change
Mr. Wu Xiang	Resigned as a non-executive Director and the Chairman of the Company with effect from June 14, 2024.
Mr. Yang Huicheng	Appointed as a non-executive Director of the Company with effect from June 14, 2024.
Mr. Yuan Jun	Appointed as the Chairman of the Company with effect from June 14, 2024, and resigned as an executive Director, the Chairman and the President of the Company on March 28, 2025.
Mr. Hao Haijun	Appointed as an executive Director, the Chairman and the President of the Company with effect from March 28, 2025.
Ms. Meng Yilan	Appointed as an executive Director of the Company with effect from March 28, 2025.
Ms. Xie Xiaoyan	Resigned as an independent director of Inner Mongolia Datang Pharmaceutical Co. (內蒙古大唐藥業股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 836433)), with effect from August 29, 2024.

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

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 93 of this annual report.



Report of Directors

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Significant Events After the Reporting Period" of this annual report. A review of the major risks faced by the Group, risk management and internal control measures are set out in the section headed "Risk Management and Internal Control" of this annual report. A discussion of the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" separately published by the Company in April 2025. An account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the sections headed "Relationship with Suppliers", "Relationship with Customers" and "Relationship with Employees" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company has established an ESG Committee to comprehensively assess, manage and improve its environmental, social and governance performance, and make annual disclosure in accordance with compliance requirements and with reference to international standards. For details, please refer to the "Environmental, Social and Governance Report" published by the Company in April 2025.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2024, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

The customers of the Group mainly include dairy manufacturers and dairy farms. In particular, Yili Group is, and has been, a major customer of the Group, and the Group has established and maintained a long-term and stable strategic cooperation with Yili, which is a controlling shareholder.

During the Reporting Period, revenue generated from the Group's top five customers was RMB15,979 million (2023: RMB13,671 million), representing 79.5% (2023: 73.1%) of the Group's total revenue. The Group generated revenue of RMB14,323 million (2023: RMB12,447 million) from sales of raw milk to Yili Group, our largest customer, representing 94.8% (2023: 96.5%) of the Group's total raw milk revenue during the Reporting Period.

Report of Directors

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

As disclosed on page 297 of the Prospectus, in respect of the comprehensive ruminant farming solutions business segment of the Group, a number of customers who make purchases from the Group are also raw milk suppliers of Yili Group (the “**Overlapping Parties**”). Since 2013, the Group, Yili Group and the Overlapping Parties have been entering into certain entrusted payment arrangements, pursuant to which the Overlapping Parties would generally enter into a tripartite withholding agreement with Yili Group and the Group and entrust Yili Group to pay to the Group the amount payable by such Overlapping Parties to the Group, after which Yili Group shall deduct the relevant amount from the balance of the amount owed by Yili Group to such Overlapping Parties. During the Reporting Period, the revenue contribution from the Overlapping Parties as at December 31, 2024 to the Group’s total revenue amounted to approximately 3.6%. Further details of the Overlapping Parties and the Group’s arrangements with the Overlapping Parties are set out in the Prospectus.

Suppliers

The Group’s suppliers primarily include suppliers of feed ingredients and forage grass, ruminant farming products and farm construction services and equipment. The purchases from the Group’s top five largest suppliers accounted for less than 30% of the total purchases of the Group during the Reporting Period.

RELATIONSHIP WITH CUSTOMERS

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

RELATIONSHIP WITH SUPPLIERS

The Group has implemented strict procurement policies for selecting and managing cooperative suppliers to ensure safe, reliable and high-quality supplies. The Group evaluates suppliers based on their market reputation and ranking, industry experience, quality control system, and source control measures, and conducts thorough sample tests or on-site inspections on feed ingredients and forage grass suppliers to ensure that suppliers and their products meet the quality standards of the Group. The Group also enhances the capability of its suppliers through various means to achieve the long-term stable cooperation between the Group and its suppliers. In addition, the Group actively explores value-added business opportunities with strategic partners, enhances its relationships with suppliers to create a “sustainable win-win ecosystem”.



Report of Directors

RELATIONSHIP WITH EMPLOYEES

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 196 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 50 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

Report of Directors

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 39 to the consolidated financial statements.

DONATION

During the Reporting Period, the Group made charitable donations of approximately RMB0.4 million (2023: RMB0.9 million).

DEBENTURE ISSUED

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

EQUITY-LINKED AGREEMENTS

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

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2024. There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

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

As at December 31, 2024, the Company had distributable reserves of RMB4,809 million (2023: RMB5,326 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity on page 96 and in Note 51 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2024 are set out in Note 35 to the consolidated financial statements.



Report of Directors

DIRECTORS' SERVICE CONTRACTS

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

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

Apart from Mr. Yang Huicheng being appointed as a non-executive Director on June 14, 2024, Mr. Hao Haijun being appointed as an executive Director and the Chairman on March 28, 2025, and Ms. Meng Yilan being appointed as an executive Director on March 28, 2025, each of the remaining Directors has renewed their service contracts in 2024. All the Directors' contracts shall be automatically renewed upon expiration of three years from the date of their appointments in accordance with the terms of their respective contracts.

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

CONTRACTS WITH CONTROLLING SHAREHOLDER

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

MANAGEMENT CONTRACTS

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

Report of Directors

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

As at December 31, 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 December 31, 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)	33.93
Boyuan Investment Holding Co. Ltd. (博源投資控股有限公司) ⁽³⁾	Beneficial interest	800,000,000(L)	20.55
Jingang ⁽³⁾	Beneficial interest	520,800,000(L)	13.38
PAG ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
Pacific Alliance Group Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
Shan Weijian ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Capital Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Dairy GP I Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Dairy I LP ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG II ⁽⁴⁾	Beneficial interest	822,602,530(L)	21.13
Meadowland Investment Limited Partnership ⁽⁵⁾	Beneficial interest	564,982,819(L)	14.51



Report of Directors

Notes:

1. The letter "L" denotes the Shareholder's long position in such Shares.
2. The percentages are calculated on the basis of 3,892,727,833 Shares in issue as at December 31, 2024.
3. Boyuan Investment Holding Co. Ltd. (formerly known as "China Youran Dairy Holding Limited") directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of Boyuan Investment Holding Co. Ltd. and Jingang is a wholly-owned subsidiary of Yili. Accordingly, Yili was deemed to be interested in an aggregate of 1,320,800,000 Shares.
4. PAGAC Yogurt Holding II Limited ("PAG II") directly held 822,602,530 Shares in the long position. PAG II was a wholly-owned subsidiaries of PAG Dairy I LP, a fund managed by PAG Capital Limited, and the general partner of PAG Dairy I LP 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 in the long position held by PAG II. 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 822,602,530 Shares in the long position held by PAG II.
5. Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, as at December 31, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

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

During the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB5.7 million (as set out in Note 14 to the consolidated financial statements).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Report of Directors

CONTINUING CONNECTED TRANSACTIONS

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

Continuing Connected Transactions	Proposed Annual Cap/Maximum Amount of Daily Deposit Balance in 2024 (RMB million)	Actual Transaction Amount/Actual Maximum Amount of Daily Deposit Balance Amount in 2024 (RMB million)
<i>Partially-exempt continuing connected transactions</i>		
Dairy Products Purchase Framework Agreement		
Purchase of dairy products from Yili Group	134	48.1
Shared Financial Services Framework Agreement		
Provision of accounting related shared financial services by Yili to the Group	13	10.8
Purchase and Sale Framework Agreement		
Provision of comprehensive ruminant farming solutions products and services to YouYuan Farm	206	152.9
<i>Non-exempt continuing connected transactions</i>		
Raw Milk Purchase and Sale Framework Agreement		
Sale of raw milk to Yili Group	19,900	14,322.8
Financial Services Framework Agreement		
Provision of deposit services by Yili Finance Company to the Group	1,500	1,381.7

1. Dairy Products Purchase Framework Agreement

On May 17, 2021, the Company and Yili entered into the Dairy Products Purchase Framework Agreement, pursuant to which Yili Group would supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term of three years commencing from the Listing Date. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company.

On April 24, 2023, the Company renewed the Dairy Products Purchase Framework Agreement with Yili, pursuant to which Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term of three years commencing from January 1, 2024 to December 31, 2026. The renewal of the Dairy Products Purchase Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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



Report of Directors

2. Shared Financial Services Framework Agreement

On November 28, 2022, the Company entered into the Shared Financial Services Framework Agreement with Yili, pursuant to which Yili shall provide accounting related shared financial services to the Group for a term of three years commencing from January 1, 2023 to December 31, 2025. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The Shared Financial Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As the existing Shared Financial Services Framework Agreement will expire on December 31, 2025, on March 28, 2025, the Company renewed the Shared Financial Services Framework Agreement with Yili, pursuant to which Yili shall provide accounting related shared financial services to the Group for a term of three years commencing from January 1, 2026 to December 31, 2028 unless terminated earlier in accordance with its terms. The renewal of the Shared Financial Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Shared Financial Services Framework Agreement and its renewal are set out in the announcements of the Company dated November 28, 2022 and March 28, 2025.

3. Purchase and Sale Framework Agreement

On November 28, 2022, the Company entered into the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm shall purchase comprehensive ruminant farming solutions products and services from the Group for a term of three years commencing from January 1, 2023 to December 31, 2025. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. YouYuan Farm is a non-wholly-owned subsidiary of Yili and therefore also a connected person of the Company. The Purchase and Sale Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As the existing Purchase and Sale Framework Agreement will expire on December 31, 2025, on March 28, 2025, the Group renewed the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm shall purchase comprehensive ruminant farming solutions products and services, including but not limited to feed products, ruminant farming products, breeding products and related services, from the Group for a term of three years commencing from January 1, 2026 to December 31, 2028 unless terminated earlier in accordance with its terms. The renewal of the Purchase and Sale Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Purchase and Sale Framework Agreement and its renewal are set out in the announcements of the Company dated November 28, 2022 and March 28, 2025 (the "**Purchase and Sale Framework Agreement Announcements**").

Report of Directors

To further supplement the information in relation to the pricing policy for transactions conducted with YouYuan Farm as outlined in the Purchase and Sale Framework Agreement Announcements, the price quotations offered by the Group to YouYuan Farm for products with standard specification and products with tailored specification are determined with reference to the internal pricing guideline of the Company which is also applied to the Group's independent customers in the same region. For all transactions conducted with YouYuan Farm (including feed products, ruminant farming products and breeding products), the price quotation offered to YouYuan Farm must be pre-approved by the Company's business department, the business finance department and the head of business department, before the price quotation is finally approved by the responsible financial personnel of the related business unit who will verify the price quotation is in line with the Company's internal pricing policy and standard pricing. The Company's standard pricing is offered to both connected person(s) and independent customers. At settlement of the transaction, the business finance department will further review the price to ensure it is settled in accordance with the aforementioned approved price. The pricing guideline in the Purchase and Sale Framework Agreement serves as additional measures to ensure the prices implemented in the transactions with YouYuan Farm are in line with industry market prices to ensure the transactions under the Purchase and Sale Framework Agreement are conducted on a fair and reasonable basis. The Directors are of the view that the internal pricing policy of the Company and the above internal procedures serve as effective safeguards to ensure that the prices to be charged by the Company to YouYuan Farm will be no less favourable to the Company than those offered to independent customers.

4. Raw Milk Purchase and Sale Framework Agreement

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

On April 24, 2023, the Company renewed the Raw Milk Purchase and Sale Framework Agreement with Yili, pursuant to which the Group agreed to supply raw milk to Yili Group for a term of three years commencing from January 1, 2024 to December 31, 2026. The renewal of the Raw Milk Purchase and Sale Framework Agreement is subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

5. Financial Services Framework Agreement

On September 28, 2021, the Company entered into the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including the deposit services, settlement services (including collection, payment or internal settlement services and other settlement services approved by the National Financial Regulatory Administration or other applicable regulatory authorities), and other financial services (including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by the National Financial Regulatory Administration or other applicable regulatory authorities) for a term commencing from September 28, 2021 to December 31, 2023. As Yili is a controlling shareholder of the Company, Yili and its associates are connected persons of the Company under the Listing Rules. As Yili Finance Company is a subsidiary of Yili, Yili Finance Company is an associate of Yili and accordingly a connected person of the Company under the Listing Rules.



Report of Directors

On April 24, 2023, the Company renewed the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company shall provide a range of financial services to the Group, including the deposit services, settlement services (including collection, payment or internal settlement services and other settlement services approved by the National Financial Regulatory Administration or other applicable regulatory authorities), and other financial services (including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by the National Financial Regulatory Administration or other applicable regulatory authorities) for a term of three years commencing from January 1, 2024 to December 31, 2026. While the settlement services and the other financial services to be provided by Yili Finance Company to the Group under the Financial Services Framework Agreement are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, the deposit services under the Financial Services Framework Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONFIRMATIONS FROM THE AUDITOR

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

Report of Directors

A summary of all significant transactions with related parties (the “**Related Party Transactions**”) entered into by the Group during the Reporting Period is contained in Note 45 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out above which are disclosed pursuant to the Listing Rules, none of the Related Party Transactions disclosed in Note 45 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

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

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

During the Reporting Period, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange (including sale of treasury shares). As at December 31, 2024, the Company did not hold any treasury shares.

MATERIAL LITIGATION

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

USE OF PROCEEDS FROM LISTING

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

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. Set out below is the status of use of net proceeds from the Global Offering as at December 31, 2024.

Purpose	% of net proceeds	Net proceeds (RMB million)	Utilized amount as at December 31, 2024 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at December 31, 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 December 31, 2024, the net proceeds from the Global Offering of the Company have been fully utilized.



Report of Directors

PUBLIC FLOAT

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

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

AUDITOR

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company renewed the Shared Financial Services Framework Agreement with Yili on March 28, 2025, which becomes effective from January 1, 2026 to December 31, 2028. Pursuant to the agreement, Yili intends to provide accounting related shared financial services to the Group.

The Company renewed the Purchase and Sale Framework Agreement with YouYuan Farm on March 28, 2025, which becomes effective from January 1, 2026 to December 31, 2028. Pursuant to the agreement, YouYuan Farm intends to purchase comprehensive ruminant farming solutions products and services from the Group.

Further details are set out in the section headed “Continuing Connected Transactions” on pages 59 to 63 of this annual report and in the announcement of the Company dated March 28, 2025.

Save as disclosed in this annual report, there are no other significant events that might affect the Group since December 31, 2024 and up to the Latest Practicable Date.

By the order of the Board

Mr. Hao Haijun

Chairman and executive Director

Hohhot, the PRC

March 28, 2025

Biographical Details of Directors and Senior Management

As of the Latest Practicable Date, the Board consists of three executive Directors, three non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Hao Haijun (郝海軍), aged 44, joined the Group since November 2024 and was appointed as the executive deputy general manager of Inner Mongolia Youran. On March 28, 2025, he was appointed as an executive Director, the Chairman and the president of the Company. Mr. Hao is primarily responsible for the strategic planning, Board management and overall operational management of the Group.

Mr. Hao graduated from Inner Mongolia Building Material Industry School (內蒙古建材工業學校, now known as Inner Mongolia Vocational College of Chemical Engineering) in 1999, and graduated from China Central Radio and TV University (中央廣播電視大學) in 2009, majoring in administrative management. Mr. Hao joined Yili Group in March 2000. He served as the general manager of a number of subsidiaries of Yili Group, the deputy director of procurement of the supply and security department (供應保障部) of Yili Group, and the head of the production management department (生產管理部), the head of the logistics management department (物流管理部) and the head of production system of the liquid milk division (液態奶事業部) of Yili Group. Mr. Hao has been deeply involved in the dairy industry for over 24 years, accumulating extensive expertise in key areas such as operation management, lean production, and supply chain management.

Mr. Hao was also appointed as the chairman of the board and general manager of Inner Mongolia Youran on March 28, 2025.

Mr. Dong Jiping (董計平), aged 44, joined our Group since November 2015, and was appointed as Director of our Company on August 24, 2020 and designated as an executive Director and appointed as vice president on November 15, 2020. Mr. Dong is primarily responsible for the management of our Group's legal compliance and external relations.

Mr. Dong graduated from Northeast Forestry University (東北林業大學) in July 2004 and obtained his bachelor's degree in biotechnology. Mr. Dong joined Yili Group in July 2004. He worked as the purchaser of the liquid milk division (液態奶事業部) of Yili Group, the secretary in the president's office and the planning director (企劃總監) of strategic management department of Yili Group. Subsequently, he has been the deputy general manager of Inner Mongolia Youran since November 2015. Mr. Dong has over 20 years of extensive experience in the dairy industry.

Mr. Dong is also a director of Inner Mongolia Youran, and a director of a number of subsidiaries of the Company.

Ms. Meng Yilan (孟一蘭), aged 37, was appointed as an executive Director of the Company on March 28, 2025. Ms. Meng is primarily responsible for the Group's digital transformation, digital technology and network information security management.

Ms. Meng graduated from Inner Mongolia Normal University in July 2011 with a bachelor's degree in electronic information science and technology and obtained the qualification of certified information security professional (CISP) in July 2021 issued by China Information Technology Security Evaluation Center (中國信息安全測評中心). Ms. Meng joined Yili Group in May 2011 and served as an IT (information technology) asset manager and a system management engineer. Subsequently, Ms. Meng joined the Group in August 2016 and served as system engineer, information manager, IT manager and system application manager. In April 2022, she was promoted to the deputy director of information of the Group. Ms. Meng has over 13 years of rich experience in the information security and information technology industry.



Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Xu Jun (徐軍), aged 53, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr. Xu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Xu graduated from the University of Inner Mongolia (內蒙古大學) in July 1996 and obtained his bachelor's degree in economic management. Mr. Xu joined Yili Group in August 1996. He worked as the director of corporate management division and the director of human resources of liquid milk division (液態奶事業部) of Yili Group, the vice general manager of the strategic sourcing department (戰略採購部), the general manager of the cold drink department (冷飲事業部), the general manager of the milk powder department (奶粉事業部) and the general manager of the human resource department (人力資源部) of Yili Group successively. Subsequently, he has been the assistant to the president (總裁助理) of Yili Group since August 2017. Mr. Xu has over 28 years of extensive experience in the dairy industry.

Mr. Xu is also a director of Inner Mongolia Youran.

Mr. Yang Huicheng (楊慧成), aged 48, was appointed as a non-executive Director on June 14, 2024. Mr. Yang is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Yang graduated from Inner Mongolia Agricultural University (內蒙古農業大學) in July 1999 majoring in food engineering and graduated from China Agricultural University (中國農業大學) in July 2018 majoring in business administration. Mr. Yang joined Yili Group in August 1999 and served as deputy general manager and plant manager of various subsidiaries of the liquid milk division (液態奶事業部) and cold drink division (冷飲事業部) of Yili Group, and director of the supply and security department (供應保障部), general manager of the investment management department (投資管理部) as well as deputy general manager of cold drink division (冷飲事業部) of Yili Group successively. Since July 2024, he served as the deputy general manager of the liquid milk division (液態奶事業部) of Yili Group. Mr. Yang has over 25 years of extensive experience in the dairy industry.

Mr. Yang is also a director of Inner Mongolia Youran.

Mr. Xu, Zhan Kevin (許湛), aged 43, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr Xu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Xu served at Morgan Stanley Asia Limited from January 2006 to August 2007. He served as an associate at TPG Capital Limited from August 2007 to June 2009, a senior associate at Apax Partners Hong Kong Limited from November 2009 to August 2011, and a managing director at PAG Asia Capital since September 2011. Mr. Xu also served as a non-executive director of Alphamab Oncology (康寧傑瑞生物製藥), a company listed on the Stock Exchange (stock code: 9966) from November 2018 to June 2023.

Mr. Xu is also a director of Inner Mongolia Youran.

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

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕), aged 54, has been an independent non-executive Director of the Company since June 7, 2021. Ms. Xie is primarily responsible for supervising and providing independent judgment to our Board.

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

Ms. Xie served as an independent director of Inner Mongolia Jinyu Group Co., Ltd. (內蒙古金宇集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600201)) from May 2007 to May 2013. She has served as an independent director of Inner Mongolia Junzheng Energy & Chemical Group Co. Ltd. (內蒙古君正能源化工集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601216)) from June 2014 to June 2020. She has also served as an independent director of Inner Mongolia Datang Pharmaceutical Co. (內蒙古大唐藥業股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 836433)) from April 2020 to August 2024, and Jinhe Biotechnology CO., LTD. (金河生物科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002688)) since April 2020.

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

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



Biographical Details of Directors and Senior Management

Mr. Yao Feng (姚峰), aged 64, has been an independent non-executive Director of the Company since June 7, 2021. Mr. Yao is primarily responsible for supervising and providing independent judgment to our Board.

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

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

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

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

Biographical Details of Directors and Senior Management

Mr. Shen Jianzhong (沈建忠), aged 62, has been an independent non-executive Director since June 7, 2021. Mr. Shen is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has been working at China Agricultural University (中國農業大學) since 1988 and is currently a professor of the department of basic veterinary medicine of the school of veterinary medicine (動物醫學院) of China Agricultural University, and a director of National Key Laboratory of Veterinary Public Health and Safety (獸醫公共衛生安全全國重點實驗室).

Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology (國家科技進步二等獎) in 2006 and the second prize of the National Award for Technological Invention (國家技術發明二等獎) in 2015 and was elected as an academican of the Chinese Academy of Engineering (中國工程院院士) in 2015. Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology again in 2020 and the second prize of the National Natural Science (國家自然科學二等獎) in 2024.

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

SENIOR MANAGEMENT

Mr. Hao Haijun (郝海軍), aged 44, is the executive Director and president of our Company. Please see above for further details.

Mr. Dong Jiping (董計平), aged 44, is the executive Director and vice president of our Company. Please see above for further details.

Mr. Jiang Guangjun (姜廣軍), aged 51, joined our Group in December 2019, and was appointed as the vice president of our Company on November 15, 2020. Mr. Jiang has over 26 years of experience in dairy industry and is primarily responsible for the Group's quality, safety and environmental, supply security and other management work.

Mr. Jiang obtained his bachelor of engineering degree, majoring in food science and engineering from Inner Mongolia Agriculture University (內蒙古農業大學) in July 1998. He joined Yili Group in July 1998. He worked as the general manager of a number of subsidiaries of Yili Group, the supply director and deputy general manager of the liquid milk division (液態奶事業部) of Yili Group.

Mr. Jiang is the deputy general manager of Inner Mongolia Youran since December 2019, and he has been a director of SKX since September 2020, and he has also been a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Xu Yanfei (許燕飛), aged 44, joined our Group in August 2008 and was appointed as a vice president of our Company on November 15, 2020. Mr. Xu has over 18 years of experience in farm management, and is responsible for overseeing and managing the overall operations of our Group's farms.



Biographical Details of Directors and Senior Management

Mr. Xu obtained his bachelor's degree in agriculture from the Agricultural University of Inner Mongolia (內蒙古農業大學) in June 2006, majoring in animal medicine. He joined Yili Group in February 2006. Since August 2008, he has been working in the farms under the Group and served as the manager of the milking department, the manager of the feeding department, the assistant to dairy farm manager and the dairy farm manager, during which he was assigned to study for one year at a farm of 10,000 cows in Florida, U.S. from 2011 to 2012. From July 2017 to December 2018, he served as the assistant general manager of the husbandry unit of Inner Mongolia Youran; the deputy general manager of Inner Mongolia Youran and was responsible for husbandry business since December 2018.

Mr. Xu is also a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Xu was awarded "May 1 Labour Medal in the Inner Mongolia Autonomous Region (內蒙古自治區五一勞動獎章)" and "Labour Model of Hohhot (呼和浩特市勞動模範)", and was the torchbearer for the Beijing Winter Olympics in 2022.

Mr. Zhuang Yanxiao (莊燕曉), aged 41, joined our Group in 2023 and was appointed as a vice president of our Company on March 27, 2024. Mr. Zhuang has over 19 years of experience in dairy industry, and is responsible for overseeing and managing the overall operation of our Group's feed business.

Mr. Zhuang graduated from Jilin Agricultural Science and Technology University (吉林農業科技學院) (formerly known as Jilin Specialized College (吉林特產高等專科學校)) in July 2005, majoring in food science and engineering. He joined Yili Group in February 2006. He worked as the regional manager of raw milk, the quality manager of milk source region and the regional manager of raw milk of Yili Group, the deputy director and director of inspection of the liquid milk source inspection department and the general manager of Mengjin milk source region of Yili Group's liquid milk division (液態奶事業部).

Mr. Zhuang has been a deputy general manager of Inner Mongolia Youran since December 2023 and is in charge of the feed business. Mr. Zhuang is also a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Lv Xiongyu (呂雄宇), aged 53, joined our Group since January 2022 and was appointed as the vice president and the secretary to the Board of our Company on March 30, 2022. Mr. Lv has more than 22 years of experience in dairy industry, and is primarily responsible for the work related to the Board office of our Group while in charge of investor affairs and financial management.

Mr. Lv graduated from Inner Mongolia Forestry College in July 1994, majoring in forestry economics and management. He was qualified as an intermediate auditor in October 1998. He started his career in Armed Police of China 5303 Factory (武警五三零三工廠). Mr. Lv joined Yili Group in March 2003. He served as the financial manager of a number of subsidiaries under the Yili Group, the marketing and finance director of the finance department and the assistant to the chief financial officer at liquid milk division (液態奶事業部) of Yili Group, the deputy marketing and finance director and the budget management director of the financial management department, the head of the M&A department of Yili Group. From April 2015 to August 2019, Mr. Lv worked in our Group, successively serving as the chief financial officer of Inner Mongolia Youran and the assistant deputy director of finance of SKX. He concurrently served as the secretary to the Board of Inner Mongolia Youran from May 2016 to August 2019, and also served as a director of Inner Mongolia Youran from November 2015 to December 2019.

Mr. Lv has been serving as the deputy general manager of Inner Mongolia Youran since January 2022. Mr. Lv also has been a director of Youmu Investment Management, a subsidiary of the Company, since June 2022, and also a director of SKX since May 2024.

Corporate Governance Report

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders of the Company.

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.

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 of the chairman and the president should be separate and should not be performed by the same individual. Mr. Yuan Jun (“**Mr. Yuan**”) has been performing both the roles of the chairman and the president of the Company since June 14, 2024, and resigned as an executive Director, the chairman and the president on March 28, 2025. On March 28, 2025, Mr. Hao Haijun (“**Mr. Hao**”) was appointed as an executive Director, the Chairman and the President of the Company. After careful evaluation by the Nomination Committee and unanimous recognition by the Board, vesting the roles of both the chairman and the president in the same person, although deviating from the provisions of the Corporate Governance Code, is beneficial to ensuring the unity and consistency of the Group's strategic decision-making and effectively enhancing the efficiency of strategic execution, given extensive strategic decision-making experience and outstanding management capabilities in the dairy industry of Mr. Yuan and Mr. Hao. The Board believes that the balance of power and authority for such arrangement will not be impaired, and it will continue to assess the effectiveness of the governance structure and consider splitting the roles of the chairman and the president of the Company at a time when it is appropriate.

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.

CORPORATE CULTURE

The Company actively advocates the core values of “excellence, undertaking, innovation, win-win, and respect”, takes the corporate mission of “creating the source power of human healthy life by its high-quality products” and establishes the corporate vision of “lead China's animal husbandry to march forward to the most trustworthy world-class animal husbandry tech-group”, all of which serve as the fundamental policies for guiding the Group's long-term sustainable development in the future. The Company is dedicated to perfectly integrating high technology with purely natural products, providing high-quality and natural animal husbandry products with leading quality, technologies and services for its customers, and promoting the optimization of human nutritional structure from the source of animal husbandry, to safeguard human healthy life!

The Company promotes the deep integration of its corporate culture and business operations through implementing a series of policies and measures, which include but not limited to, adhering to high quality development, focusing on the technological transformation, lean operations, platform integration, digitalization-led development, talents development and green ecological construction, and striving to create sustainable social value. For details of the corporate culture of the Company, please refer to the 2024 Environmental, Social and Governance Report published by the Company on April 2025.



Corporate Governance Report

COMPLIANCE WITH THE MODEL CODE

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

BOARD OF DIRECTORS

Board Composition

As of the Latest Practicable Date, the Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors.

During the Reporting Period and as of the Latest Practicable Date, the composition of the Board was as follows:

Executive Directors

Mr. Yuan Jun (袁軍)

(appointed as the Chairman on June 14, 2024, and resigned as the executive Director, the Chairman and the President on March 28, 2025)

Mr. Hao Haijun (郝海軍) (Chairman and President)

(appointed as the executive Director, the Chairman and the President on March 28, 2025)

Mr. Dong Jiping (董計平)

Ms. Meng Yilan (孟一蘭) *(appointed on March 28, 2025)*

Non-Executive Directors

Mr. Wu Xiang (武翔) *(resigned as the non-executive Director and the Chairman 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) *(resigned on March 28, 2025)*

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 65 to 69 of this annual report, in which a diversity of skills, expertise, experience and qualifications of the Directors is set out.

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

Corporate Governance Report

CHAIRMAN AND PRESIDENT

Mr. Yuan Jun had been served as the Chairman and the President of the Company since June 14, 2024, and resigned as the executive Director, the Chairman and the President of the Company on March 28, 2025. Mr. Hao Haijun was appointed as the executive Director, the Chairman and the President of the Company on March 28, 2025. The Chairman provides leadership and is responsible for the management of the Board. The President focuses on the Company's overall operation and management. Their respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

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

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting
Executive Directors:					
Mr. Yuan Jun	4/4	N/A	N/A	N/A	1/1
Mr. Dong Jiping	4/4	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Wu Xiang	3/3	N/A	N/A	N/A	1/1
Mr. Xu Jun	4/4	1/1	N/A	N/A	0/1
Mr. Yang Huicheng	2/2	N/A	N/A	N/A	N/A
Mr. Xu, Zhan Kevin	4/4	N/A	1/1	N/A	1/1
Mr. Qiu Zhongwei	4/4	N/A	N/A	2/2	1/1
Independent Non-executive Directors:					
Ms. Xie Xiaoyan	4/4	1/1	N/A	2/2	1/1
Mr. Yao Feng	4/4	N/A	1/1	2/2	1/1
Mr. Shen Jianzhong	3/4	1/1	1/1	N/A	1/1

Apart from regular Board meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period. During the Reporting Period, all Directors attended the annual general meeting held on May 20, 2024 either in person or online except Mr. Xu Jun due to other personal arrangements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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



Corporate Governance Report

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board is the crucial element of the success of the Group, the diversified composition of which enables us to derive the skills, experiences and perspectives from each Director, and thereby, promoting the ongoing development of the Company. The procedures and process of appointment, re-election and removal of Directors of the Company are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

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

All the Directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the requirements of Article 108 of Articles of Association and the code provision B.2.2 of the Corporate Governance Code. At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Xu Jun, Mr. Xu, Zhan Kevin and Ms. Xie Xiaoyan shall retire at the forthcoming AGM and being eligible, will offer themselves for re-election.

Pursuant to Article 112 of Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Yang Huicheng, who was appointed as a non-executive Director on June 14, 2024; Mr. Hao Haijun, who was appointed as an executive Director and the Chairman on March 28, 2025; and Ms. Meng Yilan, who was appointed as an executive Director on March 28, 2025, shall retire and being eligible, will offer themselves for re-election at the AGM.

Each of Mr. Yang Huicheng, Mr. Hao Haijun and Ms. Meng Yilan has also obtained the legal advice referred to in Rule 3.09D of the Listing Rules on the day of their appointment as non-executive Director and executive Director, respectively, and confirmed that they understand the responsibilities as Directors of the Company.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

Corporate Governance Report

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group. With effect from March 28, 2025, the composition of the Audit Committee has been restructured. Mr. Qiu Zhongwei resigned as a member of the Audit Committee and Mr. Shen Jianzhong was appointed as a member of the Audit Committee. The restructured Audit Committee consists of 3 members, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong, all being independent non-executive Directors. Ms. Xie Xiaoyan, being our independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise, is the chairperson of the Audit Committee.



Corporate Governance Report

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

During the Reporting Period, the Audit Committee held two meetings to review the Company's annual results and annual report for the year ended December 31, 2023 and the interim results and interim report for the six months ended June 30, 2024. During the meetings, the Audit Committee also reviewed the significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and internal audit function, and the appointment of external auditors and their provision of non-audit services.

REMUNERATION COMMITTEE

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

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

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

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

Details of the Directors' remuneration for the year ended December 31, 2024 are set out in Note 14 to the consolidated financial statements.

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

Remuneration bands (HK\$)	Number of persons
HK\$1,000,001 – HK\$1,500,000	1
HK\$1,500,001 – HK\$2,000,000	3
Total	4

Corporate Governance Report

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. With effect from March 28, 2025, the composition of the Nomination Committee has been restructured. Mr. Shen Jianzhong and Mr. Xu, Zhan Kevin resigned as members of the Committee; Mr. Yao Feng was reassigned as a member from the chairperson of the Committee; Mr. Hao Haijun was appointed as the chairperson of the Committee and Ms. Xie Xiaoyan was appointed as a member of the Committee. The restructured Nomination Committee consists of 3 members, namely Mr. Hao Haijun, Ms. Xie Xiaoyan and Mr. Yao Feng. Mr. Hao Haijun is an executive Director and each of Ms. Xie Xiaoyan and Mr. Yao Feng is an independent non-executive Director. Mr. Hao Haijun is the chairperson of the Nomination Committee.

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the environmental, social and governance (the "ESG") committee (the "ESG Committee") with written terms of reference on August 23, 2024. With effect from March 28, 2025, the composition of the ESG Committee has been restructured. Mr. Shen Jianzhong was reassigned as a member from the chairperson of the Committee and Mr. Yao Feng was reassigned as the chairperson from a member of the Committee. The restructured ESG Committee consists of 3 members, namely Mr. Yao Feng, Ms. Xie Xiaoyan and Mr. Shen Jianzhong, all of them being independent non-executive Directors. Mr. Yao Feng is the chairperson 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.

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

As of the Latest Practicable Date, the ESG Committee held one meeting to review and monitor the Group's ESG related performance of 2024, review the achievement of ESG objectives, discuss the key ESG issues that have a significant impact on the Group's operations and/or the interests of other key stakeholders, and review the Group's ESG related policies.



Corporate Governance Report

BOARD DIVERSITY

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

The Board currently consists of two female Directors and seven male Directors. The Nomination Committee considers that, taking into account the business needs of the Company, the Directors have a balanced mix of knowledge and skills in various areas, including but not limited to business management, veterinary medicine, biotechnology, financial management and network information security management, and have obtained degrees in various majors including economics, engineering, management and electronic information science and technology. The ages of the Directors range from 37 to 64. The Board is of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for ensuring the diversity of our Board members when identifying candidates suitably qualified to become Board members, having evaluated the working scope and responsibility of the required position. Different means will be used by the Nomination Committee in the identification of candidates, including recommendations from members of the Board, engagement of independent recruitment consultants and any other means or channels that it deems appropriate. During the Reporting Period, the Board conducted a review of the implementation and effectiveness of the Board Diversity Policy, and considered that the experience and competence of the Directors in all aspects and areas could enable the Company to maintain operation at a high standard. The Board of the Company is committed to continuously enhancing the diversity of the Board, and has set target figures and timetable for the gender diversity of the Board.

DIVERSITY OF EMPLOYEES

The Group is committed to promoting diversity in its workforce, and has adopted an employee diversity policy (the “**Employee Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of employees. The Group provides an open and inclusive work environment with equal opportunities for employees, and offers all staff a sense of belonging, respect and recognition. The Group prohibits any form of harassment or discrimination on the basis of gender, color, ethnicity, religion, cultural background, marital status, physical conditions and nationality, and the discrimination in hiring or employment practices with respect to marital status, promotion, awards or access to training. The Group embraces people of all genders. The Group is committed to providing equal opportunities for its employees in recruitment, training and development, position promotion and remuneration. Meanwhile, the Group is committed to value creation, promotes the 4P remuneration philosophy and implements the “broadband remuneration” plan, effectively protecting the appropriate remuneration of all employees based on their personal value creation. In addition, the Group is committed to promoting the construction of a diversified team and creating a cultural atmosphere of diversity, inclusiveness, openness, and mutual respect.

The Company will carry out the internal investigation and assessment on a regular basis, to assess the employee’s satisfaction, scope for improvement and outstanding results related to the implementation of diversification policies. The Company will, according to the results of the investigation and assessment, make targeted adjustments to the relevant works on diversification policies.

Corporate Governance Report

As of December 31, 2024, female employees represented 27.0% of the total workforce (including senior management) of the Group and as of the Latest Practicable Date, female Directors of the Company represented 22.2% of the Board seats. We will continue to work towards enhancing gender diversity of the Board and the Group's employees, and has set target figures and timetable for the employee diversity.

DIRECTOR NOMINATION POLICY

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

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

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

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

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

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

CORPORATE GOVERNANCE FUNCTION

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



Corporate Governance Report

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

During the Reporting Period, the Board had reviewed the Company's corporate governance practice and performed its corporate governance function.

DIVIDEND POLICY

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

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 89 to 92 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

Corporate Governance Report

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

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

Name of Director	Training Topics				
	Roles, functions, and responsibilities of the Board, its committees, and Directors, as well as the effectiveness of the Board	The Company's responsibilities under Hong Kong laws and the Listing Rules and Director's duties, as well as major laws and regulatory developments (including updates on the Listing Rules) related to the performance of such responsibilities and duties	Matters related to corporate governance and environmental, social and governance (including the development of sustainability or climate related risks and opportunities relating to the Company and its businesses)	Risk management and internal control	Updates on the special industry development, business trend and strategies related to the Company
Executive Directors:					
Mr. Yuan Jun	√	√	√	√	√
Mr. Dong Jiping	√	√	√	√	√
Non-executive Directors:					
Mr. Wu Xiang	√	√	√	√	√
Mr. Xu Jun	√	√	√	√	√
Mr. Yang Huicheng	√	√	√	√	√
Mr. Xu, Zhan Kevin	√	√	√	√	√
Mr. Qiu Zhongwei	√	√	√	√	√
Independent Non-executive Directors:					
Ms. Xie Xiaoyan	√	√	√	√	√
Mr. Yao Feng	√	√	√	√	√
Mr. Shen Jianzhong	√	√	√	√	√



Corporate Governance Report

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. A statement by the Auditor about its reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 89 to 92.

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

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

Services rendered for the Company	Total fees paid and payable RMB'000
Audit services	5,600
Non-audit services	3,223
Interim review	1,800
Other services	1,423
Total	8,823

BOARD INDEPENDENCE MECHANISM

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

- the independent non-executive Directors account for no less than one-third of the total number of Directors of the Board, all of whom continued to devote sufficient time to the Company; other Board Committees are also comprised of a sufficient number of independent non-executive Directors to ensure that independent views are available to each Board Committee;
- the Board reviews its structure, size and composition (including skills, knowledge, experience, gender balance and length of tenure) and the implementation and effectiveness of the Board Diversity Policy at least annually to maintain a balanced composition of the Board;
- the Nomination Committee assesses the independence of all independent non-executive Directors annually in accordance with the independence standards set out in the Listing Rules to ensure that they are always able to exercise independent judgment;
- all Directors (including independent non-executive Directors) have equal opportunities and multiple channels to convey and express their independent views and perspectives to the Board and Board Committees;

Corporate Governance Report

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

Risk Management

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



Corporate Governance Report

Major Risks

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

Strategic Risks

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

Market Risks

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

Financial Risks

The Group is exposed to credit and liquidity risks in the ordinary course of business. To rigorously control the potential financial risks, the Company has delegated a special team to formulate credit limits and credit approval procedures. Prior to accepting any new clients, the Group evaluates the credit status of potential clients with the internal credit scoring system, and sets corresponding credit limit based on their profiles. The Group conducts annual comprehensive credit assessment of all customers, and then adopts additional credit risk control measures for customers with relatively lower credit ratings or operational difficulties based on the assessment results. In addition, the Group also actively optimizes its capital structure to maintain adequate cash flows, and to enhance the debt repayment capability and risk prevention of the Company.

Operational Risks

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

Corporate Governance Report

Legal Risks

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

Internal Control

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

The Group's internal control system clearly defines the management responsibilities, authorization and approval of each critical party, and establishes clear policies and procedures for important business processes. We emphasize the importance of the internal control system, and require all employees to strictly comply with the management standards for business process, covering all aspects of finance, legal and operations.

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



Corporate Governance Report

Anti-Fraud

Anti-fraud System and Whistleblowing Policy

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

Access and safeguards for reporting

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

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

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

Risk Management and Internal Control Effectiveness

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

Corporate Governance Report

The Company handles and releases the inside information according to the various inside information disclosure procedures, to ensure that inside information remains confidential until disclosure is properly approved and that such information is released efficiently and on an ongoing basis.

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

During the Reporting Period, the Board reviewed the effectiveness of the Company's risk management and internal control systems and considered them to be effective and adequate. The review covered all material controls, including financial, operational and compliance controls. The review also ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions as well as those relating to the Company's ESG performance and reporting.

COMPANY SECRETARY

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

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

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

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders and Putting Forward Proposals at General Meetings

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



Corporate Governance Report

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

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

Putting Forward Enquiries to the Board and Contact Details

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

Communication with Shareholders and Investors Relations

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

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

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

Changes in Constitutional Documents

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

Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF CHINA YOURAN DAIRY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Youran Dairy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 93 to 195, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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



Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Fair value of milkable cows

We identified the fair value of milkable cows as a key audit matter due to the significance of the balance on the consolidated statement of financial position at December 31, 2024 and the significant degree of estimates made by the management in determining such fair values.

The Group reported milkable cows of RMB8,658 million in biological assets as at December 31, 2024. These biological assets are measured at fair value less costs to sell at the end of the reporting period.

As disclosed in Notes 5, 22 and 44 to the consolidated financial statements, the fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows. The management's estimation is primarily based on the discount rate, the estimated local future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram of raw milk.

Details of milkable cows and the related estimation uncertainty on their fair value are set out in Notes 5, 22 and 44 to the consolidated financial statements.

Our procedures in relation to the significant inputs used in determining fair value of milkable cows included:

- Comparing the estimated local future market price of raw milk with historical raw milk price and trend, latest selling price and, where available, the sales contracts on hand;
- Comparing the estimated average daily milk yield with historical milk yield and industry data;
- Comparing the estimated feed costs per kilogram of raw milk with historical feed cost, recent contract prices of main raw materials and industry data, where available; and
- Comparing the discount rate used in discounting future cash flows to be generated by milkable cows with the acceptable range calculated by our internal valuation professionals.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



Independent Auditor's Report

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	6	20,096,160	18,693,896
Cost of sales	7	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	22	4,468,909	3,275,246
Gross profit		5,782,990	4,469,785
Loss arising from changes in fair value less costs to sell of biological assets	22	(3,921,360)	(3,613,271)
Other income	8	549,370	453,821
Impairment loss under expected credit loss model, net of reversal	9	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill	20	–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	17/19	(512,850)	(7,879)
Other gains and losses	10	(102,152)	143,430
Selling and distribution expenses		(632,290)	(619,566)
Administrative expenses		(806,677)	(778,154)
Other expenses		(122,881)	(70,383)
Share of losses of associates	24	(79,666)	(126,559)
Share of loss of a joint venture		(989)	(541)
Finance costs	11	(903,487)	(1,082,592)
Loss before tax		(774,465)	(1,359,504)
Income tax expense	12	(87,022)	(93,388)
Loss for the year	13	(861,487)	(1,452,892)
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax	25	(5,528)	6,236
Exchange differences arising on translation from functional currency to presentation currency		207,803	298,805
		202,275	305,041
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(277,322)	(363,985)
Other comprehensive expense for the year, net of income tax		(75,047)	(58,944)
Total comprehensive expense for the year		(936,534)	(1,511,836)
Loss for the year attributable to:			
Owners of the Company		(690,890)	(1,049,980)
Non-controlling interests		(170,597)	(402,912)
		(861,487)	(1,452,892)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(764,488)	(1,111,555)
Non-controlling interests		(172,046)	(400,281)
		(936,534)	(1,511,836)
		RMB	RMB
Loss per share	15		
Basic		(0.18)	(0.28)
Diluted		N/A	(0.28)

Consolidated Statement of Financial Position

At December 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets			
Property, plant and equipment	17	15,076,822	15,181,413
Investment properties	18	2,276	18,445
Right-of-use assets	19	3,048,031	2,735,677
Goodwill	20	672,014	672,014
Intangible assets	21	26,540	25,178
Biological assets	22	15,364,953	14,605,898
Deferred tax assets	23	46,778	35,388
Interests in associates	24	891,844	1,047,147
Interest in a joint venture		3,558	4,301
Equity instruments at FVTOCI	25	11,766	18,728
Pledged and restricted bank deposits	31	14,933	12,940
Deposits paid for purchase of property, plant and equipment		120,790	355,405
Deposits paid for purchase of biological assets		108	34,616
Deposits paid for right-of-use assets		–	4,187
Prepayments, deposits and other receivables	29	20,061	41,982
		35,300,474	34,793,319
Current assets			
Inventories	26	4,311,226	4,504,858
Trade receivables	27	691,643	792,071
Bills receivable		–	4,323
Contract assets	28	800	2,278
Biological assets	22	250	212
Prepayments, deposits and other receivables	29	213,806	380,394
Financial assets at fair value through profit or loss (“FVTPL”)	30	53,057	–
Amounts due from related parties	45	1,354,921	1,099,845
Pledged and restricted bank deposits	31	115,821	134,087
Bank balances and cash	31	829,310	3,935,982
Deposits placed with a related party	45	785,359	552,359
		8,356,193	11,406,409
Current liabilities			
Trade and bills payables	32	2,275,854	2,113,192
Other payables and accruals	33	1,640,703	1,982,750
Contract liabilities	34	30,332	31,231
Amounts due to related parties	45	151,960	79,277
Bank and other borrowings	35	16,709,437	16,433,086
Lease liabilities	37	248,410	220,788
Other liabilities		–	7,310
Other provisions	38	26,403	19,807
Income tax payable		26,788	27,139
		21,109,887	20,914,580
Net current liabilities		(12,753,694)	(9,508,171)
Total assets less current liabilities		22,546,780	25,285,148

Consolidated Statement of Financial Position

At December 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current liabilities			
Bank and other borrowings	35	7,546,965	9,826,502
Deferred tax liabilities	23	11,449	7,292
Deferred income	36	814,900	728,211
Lease liabilities	37	1,988,397	1,601,913
Other provisions	38	25,311	22,535
		10,387,022	12,186,453
Net assets			
		12,159,758	13,098,695
Capital and reserves			
Share capital	39	258	251
Reserves		11,294,988	11,830,467
Equity attributable to owners of the Company		11,295,246	11,830,718
Non-controlling interests		864,512	1,267,977
Total equity		12,159,758	13,098,695

The consolidated financial statements on pages 93 to 195 were approved and authorised for issue by the board of directors on March 28, 2025 and are signed on its behalf by:

Hao Haijun
Director

Dong Jiping
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 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 profits	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000 (Note (iii))	RMB'000	RMB'000 (Note (i))	RMB'000	RMB'000	RMB'000 (Note (ii))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023	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
Profit/(loss) and other comprehensive income/ (expense) for the year	-	-	-	-	-	3,639	(65,214)	-	(1,049,980)	(1,111,555)	(400,281)	(1,511,836)
Dividends paid to owners of the Company (Note 16)	-	(83,499)	-	-	-	-	-	-	-	(83,499)	-	(83,499)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,125)	(19,125)
Partial redemption/maturity of convertible notes	-	-	-	(677,081)	639,107	-	-	-	-	(37,974)	-	(37,974)
Statutory fund appropriation	-	-	-	-	-	-	-	114,218	(114,218)	-	-	-
At December 31, 2023	251	7,265,589	188,567	-	634,181	2,305	(229,543)	712,102	3,257,266	11,830,718	1,267,977	13,098,695
Loss and other comprehensive expense for the year	-	-	-	-	-	(3,998)	(69,600)	-	(690,890)	(764,488)	(172,046)	(936,534)
Issue of shares (Note 39)	7	141,113	-	-	-	-	-	-	-	141,120	-	141,120
Acquisition of non-controlling interests in SKX (Note 39)	-	-	-	-	87,968	-	-	-	-	87,968	(230,891)	(142,923)
Acquisition of other non-controlling interests	-	-	-	-	(72)	-	-	-	-	(72)	(528)	(600)
Statutory fund appropriation	-	-	-	-	-	-	-	115,390	(115,390)	-	-	-
At December 31, 2024	258	7,406,702	188,567	-	722,077	(1,693)	(299,143)	827,492	2,450,986	11,295,246	864,512	12,159,758

Notes:

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(774,465)	(1,359,504)
Adjustments for:			
Share of loss of a joint venture		989	541
Share of losses of associates		79,666	126,559
Loss arising from changes in fair value less costs to sell of biological assets		3,921,360	3,613,271
Bank interest income	8	(55,266)	(22,208)
Interest income from Yili Group (as defined in Note 45)	8	(9,603)	(6,026)
Interest income from finance lease receivables		(220)	(136)
Government grants	8	(173,337)	(190,578)
Finance costs	11	903,487	1,082,592
Exchange gain		(632)	(780)
Depreciation and amortisation	13	699,922	551,249
Write-down of inventories		3,565	9,184
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	9	24,473	6,629
Loss on disposal of property, plant and equipment	10	2,215	18,531
Impairment loss on property, plant and equipment and right-of-use assets	17/19	512,850	7,879
Impairment loss on investment property	10	14,209	3,441
Impairment loss recognised in respect of goodwill	20	–	120,966
Impairment loss recognised in respect of interests in an associate	24	88,964	–
Loss/(gain) on termination of lease agreements and sublease	10	6,008	(1,454)
Loss on partial redemption of convertible notes	10	–	918
Fair value gains on financial assets at FVTPL	10	(10,535)	(160,429)
Operating cash flows before movements in working capital		5,233,650	3,800,645
Decrease in inventories		283,928	273,636
Decrease in trade receivables		77,002	516,057
Decrease/(increase) in bills receivable		4,323	(4,323)
Decrease in prepayments and other receivables		168,845	444,496
Increase in amounts due from related parties		(255,076)	(182,277)
Decrease in contract assets		1,478	4,838
Increase/(decrease) in trade and bills payables		162,662	(575,386)
Increase in other payables and accruals		54,051	98,562
Decrease in contract liabilities		(12,943)	(10,027)
Increase in amounts due to related parties		72,683	31,939
Increase in deferred income		69,218	56,922
Increase in other provisions		6,596	–
Cash generated from operations		5,866,417	4,455,082
Interest received		64,869	28,234
Income taxes paid		(93,172)	(93,352)
Net cash from operating activities		5,838,114	4,389,964

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,679,693)	(2,758,361)
Payments for right-of-use assets		(24,367)	(103,790)
Payments for intangible assets		(4,787)	(402)
Proceeds from disposal of property, plant and equipment		20,507	28,451
Proceeds from disposal of investment properties		430	–
Payments for biological assets		(4,809,514)	(5,188,369)
Proceeds from disposal of biological assets		735,776	1,088,357
Purchase of financial assets at FVTPL		(1,467,032)	(4,500,000)
Proceeds from disposal of financial assets at FVTPL		1,424,510	6,579,767
Placement of pledged and restricted bank deposits		(356,105)	(12,713)
Withdrawal of pledged and restricted bank deposits		372,378	278,450
Receipt of government grants for assets		190,808	242,357
Receipt from finance lease receivables		200	1,875
Net cash used in investing activities		(5,596,889)	(4,344,378)
FINANCING ACTIVITIES			
New bank and other borrowings raised		25,957,945	37,627,099
Repayments of bank and other borrowings		(28,044,554)	(32,007,949)
Interest paid for bank and other borrowings		(849,092)	(835,840)
Repayment of lease liabilities		(94,120)	(107,806)
Interest paid for lease liabilities		(75,211)	(75,282)
Repayment of other liabilities		(7,500)	(7,500)
Dividends paid to owners of the Company	16	–	(83,499)
Dividends paid to non-controlling interests		–	(19,125)
Pledged receivables for bank borrowings	29	–	(23,758)
Payments of interest cost for convertible notes		–	(26,099)
Payments of partial redemption/maturity of convertible notes		–	(1,450,283)
Payment for acquisition of additional interests in subsidiaries		(143,523)	–
Proceeds from issue of shares		141,120	–
Net cash (used in)/from financing activities		(3,114,935)	2,989,958
Net (decrease)/increase in cash and cash equivalents		(2,873,710)	3,035,544
Cash and cash equivalents at beginning of the year		4,488,341	1,452,253
Effect of foreign exchange rate changes		38	544
Cash and cash equivalents at end of the year, represented by bank balances, and deposits placed with a related party		1,614,669	4,488,341

Notes to the Consolidated Financial Statements

For the year ended December 31, 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 PRC.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual period beginning on January 1, 2024 for the preparation of the 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>

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments³</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity³</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11³</i>
Amendments to IAS 21	<i>Lack of Exchangeability²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements⁴</i>

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

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

3 Effective for annual periods beginning on or after January 1, 2026.

4 Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of the above amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS *(Continued)*

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Going concern assessment

As at December 31, 2024, the Group had net current liabilities of RMB12.8 billion. The consolidated financial statements have been prepared on a going concern basis, because the directors of the Company are of the opinion that, based on a cash flow forecast of the Group for the 12 months ended December 31, 2024 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least 12 months from December 31, 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 RMB10.4 billion within 12 months from December 31, 2024.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill

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

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

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

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

Investments in associates and joint ventures

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

Revenue from contracts with customers

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

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

The Group as a lessor

Classification and measurement of leases

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

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

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

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

Government grants

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

Grants relating to biological assets

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

Government loan at a below-market rate

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

Other grants

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation

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

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

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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

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

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

Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment *(Continued)*

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

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Biological assets

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

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

Agricultural produce

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

Financial instruments

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

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

(i) Amortised cost and interest income

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

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

(i) *Significant increase in credit risk*

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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

(v) Measurement and recognition of ECL

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Classification as debt or equity (Continued)

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Fair value measurements of biological assets – milkable cows

The Group's biological assets are measured at fair value less costs to sell at the end of the reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For milkable cows, the fair value is determined by using the multi-period excess earnings method which is based on the discounted future cash flows to be generated by such milkable cows. The management's estimation is primarily based on the discount rate, the estimated local future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram ("kg") of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets – milkable cows significantly. The carrying amount of the Group's milkable cows as at December 31, 2024 was RMB8,657,642,000 (2023: RMB8,385,409,000). Further details are given in Notes 22 and 44.

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

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

As at December 31, 2024, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB15,076,822,000 (2023: RMB15,181,413,000) and RMB3,048,031,000 (2023: RMB2,735,677,000), respectively as disclosed in Notes 17 and 19.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 27 and 43.

Estimated impairment of goodwill

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

As at December 31, 2024, the carrying amount of goodwill was RMB672,014,000 (2023: RMB672,014,000). Details are disclosed in Note 20.

Estimated impairment of interests in associates

As at December 31, 2024, in view of impairment indicators, the Group performed impairment assessment on its interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate its share of the present value of the estimated future cash flows expected to be generated by the associate taking into consideration assumptions including gross profit margin, discount rate and growth rate. Where the actual cash flows are less than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, an impairment loss may arise, which would be recognised in profit or loss for the period in which such a change takes place.

As at December 31, 2024, the carrying amount of the interests in associates amounted to RMB891,844,000 (2023: RMB1,047,147,000). Details are disclosed in Note 24.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Types of goods:		
Sales of raw milk	15,100,802	12,902,987
Sales of feeds	4,446,410	5,209,450
Sales of ruminant farming products	414,757	396,773
Sales of breeding products	134,191	184,686
	20,096,160	18,693,896
Timing of revenue recognition:		
A point in time	20,096,160	18,693,896

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

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

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

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

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

Information regarding segments is reported below.

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

For the year ended December 31, 2024

	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	15,100,802	4,995,358	20,096,160	–	20,096,160
Inter-segment revenue	–	1,867,732	1,867,732	(1,867,732)	–
	15,100,802	6,863,090	21,963,892	(1,867,732)	20,096,160
Segment results	3,577,569	509,803	4,087,372		4,087,372
Loss arising from changes in fair value less costs to sell of biological assets					(3,921,360)
Share of losses of associates					(79,666)
Share of loss of a joint venture					(989)
Impairment loss of interest of associate					(88,964)
Fair value gain on financial assets at FVTPL					10,535
Unallocated other income and expenses					(158,937)
Unallocated finance costs					(622,456)
Loss before tax					(774,465)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended December 31, 2023

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

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

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

Segment assets and liabilities

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended December 31, 2024					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	626,366	66,688	693,054	6,868	699,922
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	–	24,473	24,473	–	24,473
Impairment loss of property, plant and equipment and right-of-use assets	512,850	–	512,850	–	512,850
Impairment loss of investment properties	14,209	–	14,209	–	14,209
Loss on termination of lease agreements and sublease	6,008	–	6,008	–	6,008
(Gain)/loss on disposal of property, plant and equipment	(1,131)	3,346	2,215	–	2,215
Interest income	(5,725)	(17,124)	(22,849)	(42,020)	(64,869)
Finance costs	276,575	4,456	281,031	622,456	903,487
Income tax expense	255	86,767	87,022	–	87,022
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)	7,182,951	49,476	7,232,427	–	7,232,427
Impairment loss of interest of associate	–	–	–	88,964	88,964
Interests in associates	–	–	–	891,844	891,844
Interest in a joint venture	–	–	–	3,558	3,558
Share of losses of associates	–	–	–	79,666	79,666
Share of loss of a joint venture	–	–	–	989	989

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended December 31, 2023					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	483,915	60,867	544,782	6,467	551,249
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	1,085	5,544	6,629	-	6,629
Impairment loss of property, plant and equipment	7,879	-	7,879	-	7,879
Impairment loss of investment properties	3,441	-	3,441	-	3,441
Fair value gains on derivative financial instruments	(2,792)	(852)	(3,644)	-	(3,644)
Gains on termination of lease agreements	(1,454)	-	(1,454)	-	(1,454)
Loss on disposal of property, plant and equipment	8,624	9,907	18,531	-	18,531
Interest income	(9,668)	(2,978)	(12,646)	(15,588)	(28,234)
Finance costs	193,617	48,570	242,187	840,405	1,082,592
Income tax expense	2,777	90,611	93,388	-	93,388
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)	8,893,193	80,423	8,973,616	-	8,973,616
Interests in associates	-	-	-	1,047,147	1,047,147
Interest in a joint venture	-	-	-	4,301	4,301
Share of losses of associates	-	-	-	126,559	126,559
Share of loss of a joint venture	-	-	-	541	541

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

Geographic information

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from major customers

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

	2024 RMB'000	2023 RMB'000
Customer A:		
Revenue from sales of raw milk	14,322,781	12,447,239
Revenue from sales of feeds	139,749	171,542
Revenue from ruminant farming products	2,293	449
Revenue from breeding products	10,875	14,063
	14,475,698	12,633,293

7. COST OF SALES

An analysis of cost of sales is as follows:

	2024 RMB'000	2023 RMB'000
Cost of raw milk sold before fair value adjustments	10,156,340	9,206,651
Raw milk fair value adjustments	4,481,439	3,286,737
Cost of raw milk sold after fair value adjustments	14,637,779	12,493,388
Cost of feeds sold before forage grass fair value adjustments	3,736,992	4,582,318
Forage grass fair value adjustments	(12,530)	(11,491)
Cost of feeds sold after fair value adjustments	3,724,462	4,570,827
Cost of ruminant farming products sold	333,213	321,386
Cost of breeding products	86,625	113,756
Total cost of sales	18,782,079	17,499,357

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

8. OTHER INCOME

An analysis of other income is as follows:

	2024 RMB'000	2023 RMB'000
Government grants released from deferred income (Note 36)	84,819	190,578
Incentive subsidies (Note)	323,733	182,799
Rental income	16,557	19,804
Bank interest income	55,266	22,208
Interest income from Yili Group	9,603	6,026
Income from sale of scrap materials	11,730	11,911
Compensation income	32,858	2,109
Write-back of other payables	4,653	5,003
Others	10,151	13,383
	549,370	453,821

Note:

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

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

	2024 RMB'000	2023 RMB'000
Impairment loss recognised on:		
Trade receivables	23,426	3,971
Other receivables	1,047	2,658
	24,473	6,629

Details of impairment assessments are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

10. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Foreign exchange differences, net	(1,178)	47
Loss on disposal of property, plant and equipment, net	(2,215)	(18,531)
Impairment loss recognised in respect of interests in an associate	(88,964)	–
Impairment loss on investment property	(14,209)	(3,441)
Fair value gain on derivative financial instruments (Note)	–	3,644
Fair value gain on financial assets at FVTPL	10,535	160,429
Loss on partial redemption of convertible notes	–	(918)
(Loss)/gain on termination of lease agreements and sublease	(6,008)	1,454
Recovery of pre-acquisition doubtful debt of SKX Group	–	29
Others	(113)	717
	(102,152)	143,430

Note:

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

11. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
Bank and other borrowings	850,016	850,078
Other liabilities	190	558
Lease liabilities	75,211	75,282
Unwinding of the discount of other provisions	892	850
Convertible notes	–	216,347
	926,309	1,143,115
Less: Amounts capitalised to construction in progress	(22,822)	(60,523)
	903,487	1,082,592

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	98,847	87,355
(Over)/under provision in prior periods:		
PRC EIT	(6,026)	402
Deferred tax (Note 23)	(5,799)	5,631
	87,022	93,388

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 (2023: Nil).

Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC. In addition, certain subsidiaries operating in the PRC, including Inner Mongolia Youran Dairy Co., Ltd., Muquan Yuanxing Feed, Ningxia Bio-Technology, Wulanchabu Muquan Yuanxing Feed and Bayannur Muquan Yuanxing Feed (as defined in Note 50) 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 Feed is eligible for 40% EIT reduction from 2022.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2023: 25%).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

12. INCOME TAX EXPENSE *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Loss before tax	(774,465)	(1,359,504)
Tax at the statutory rate of 25% (2023: 25%)	(193,616)	(339,876)
Tax effect of expenses not deductible for tax purpose	4,508	36,143
Effect of PRC tax exemption granted to agricultural business	78,616	177,945
Preferential income tax rates applicable to PRC subsidiaries	(43,791)	(39,932)
Effect of tax exemption granted to the Company	113,911	124,442
(Over)/under provision in respect of prior periods	(6,026)	402
Tax effect of additional deduction on certain research and development expenses	(12,325)	(11,136)
Tax effect of share of loss of a joint venture	247	135
Tax effect of share of losses of associates	19,917	31,640
Tax effect of tax losses not recognised	127,108	115,020
Utilization of tax losses previously not recognized	(1,527)	–
Tax effect of recognition of deductible temporary differences previously not recognized	–	(1,395)
Income tax expense	87,022	93,388

As at December 31, 2024, no deferred tax asset has been recognised in relation to the unused tax losses of the Group's PRC subsidiaries amounted to RMB1,339,466,000 (2023: RMB867,498,000), as it is not probable that taxable profit will be available against which the tax losses can be utilized. The expiry dates of the unrecognised tax losses are disclosed in the following table:

	2024 RMB'000	2023 RMB'000
2024	–	36,462
2025	69,017	69,017
2026	102,626	102,626
2027	199,313	199,313
2028	460,080	460,080
2029	508,430	–
	1,339,466	867,498

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13. LOSS FOR THE YEAR

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

	2024 RMB'000	2023 RMB'000
Depreciation of:		
Property, plant and equipment	1,143,153	914,188
Investment properties	1,531	1,929
Right-of-use assets	207,118	199,768
Amortisation of intangible assets	3,425	2,412
Total depreciation and amortisation	1,355,227	1,118,297
Less: Capitalised in biological assets	(559,977)	(465,749)
Capitalised in construction in progress	(1,467)	(6,405)
Capitalised in inventories	(93,861)	(94,894)
Depreciation and amortisation charged directly to profit or loss	699,922	551,249
Lease payments not included in the measurement of lease liabilities	51,829	30,028
Less: Capitalised in biological assets	(15,283)	(15,346)
Capitalised in inventories	(19,212)	(156)
	17,334	14,526
Auditors' remuneration	7,400	7,350
Research and development costs recognised in profit or loss	114,102	64,846
Employee benefits expense (including directors' remuneration as disclosed in Note 14):		
Salaries and allowances	1,256,697	1,163,879
Retirement benefit scheme contributions	150,785	136,725
Total staff costs	1,407,482	1,300,604
Less: Capitalised in biological assets	(441,535)	(423,638)
	965,947	876,966

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Directors' fees RMB'000	Salaries and allowance RMB'000	Discretionary performance- related payments RMB'000 (Note (iii))	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2024:					
<i>Executive directors:</i>					
Mr. Yuan Jun (Note (i))	–	2,463	1,600	44	4,107
Mr. Dong Jiping	–	676	313	44	1,033
<i>Non-executive directors:</i>					
Mr. Wu Xiang (Note (i))	–	–	–	–	–
Mr. Yang, Huicheng (Note (i))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	3,139	1,913	88	5,740
Year ended December 31, 2023:					
<i>Executive directors:</i>					
Mr. Yuan Jun	–	1,673	2,000	40	3,713
Mr. Dong Jiping	–	1,104	–	40	1,144
<i>Non-executive directors:</i>					
Mr. Zhang Yujun (Note (ii))	–	–	–	–	–
Mr. Wu Xiang (Note (ii))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,777	2,000	80	5,457

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For the year ended December 31, 2024

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. Wu Xiang resigned as non-executive director and the chairman of the Company on June 14, 2024. Mr. Yang, Huicheng was appointed as non-executive director and Mr. Yuan Jun was appointed as the chairman of the Company on June 14, 2024.
- (ii) Mr. Zhang Yujun resigned as non-executive director and the chairman of the Company on July 28, 2023. Mr. Wu Xiang was appointed as non-executive director and the chairman of the Company on July 28, 2023.
- (iii) The discretionary performance-related payments are determined based on the performance of the directors and the Group.

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

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2023: one) director for the year ended December 31, 2024, details of whose remuneration are set out above. The emoluments of the remaining four (2023: four) individuals for the year ended December 31, 2024 are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	4,909	4,385
Performance related bonuses	2,042	1,434
Retirement benefit scheme contributions	177	162
	7,128	5,981

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

	2024	2023
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	1	1
	4	4

No remuneration was paid by the Group to any of the directors, the chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the year (2023: Nil). None of the directors and the chief executive has waived or agreed to waive any emoluments for the year (2023: Nil).

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For the year ended December 31, 2024

15. 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:

	2024 RMB'000	2023 RMB'000
Loss for the purpose of basic and diluted loss per share	(690,890)	(1,049,980)
	2024 '000	2023 '000
Number of shares: Number of ordinary shares for the purpose of basic and diluted loss per share	3,843,268	3,795,404

The computation of diluted loss per share for the year ended December 31, 2023 does not assume the conversion of the Company's convertible notes since their assumed conversion would result in a decrease in loss per share. The convertible notes were fully redeemed or matured before the year end of 2023.

16. DIVIDEND

During the year ended December 31, 2024, no final dividend in respect of the year ended December 31, 2023 (during the year ended December 31, 2023: a final dividend of RMB0.022 per share in respect of the year ended December 31, 2022) was proposed and paid for ordinary shareholders of the Company.

No dividend was proposed for ordinary shareholders of the Company in respect of the year ended December 31, 2024, nor has any dividend been proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
COST:								
At January 1, 2023	9,596,418	13,186	2,416,286	421,789	184,166	38,153	3,032,215	15,702,213
Additions	59,092	166	737,855	95,337	32,743	-	2,243,684	3,168,877
Disposals	(37,094)	(123)	(22,754)	(13,643)	(12,788)	-	-	(86,402)
Transfer	3,231,060	-	174,821	1,267	6,516	-	(3,413,664)	-
Transferred to intangible assets (Note 21)	-	-	-	-	-	-	(4,025)	(4,025)
At December 31, 2023	12,849,476	13,229	3,306,208	504,750	210,637	38,153	1,858,210	18,780,663
Additions	5,063	-	575,327	69,451	12,988	989	878,681	1,542,499
Disposals	(3,367)	-	(41,759)	(15,032)	(5,661)	(5,486)	-	(71,305)
Transfer	1,827,179	-	317,929	613	4,640	-	(2,150,361)	-
Transfer to investment properties (Note 18)	(14,497)	-	-	-	-	-	-	(14,497)
At December 31, 2024	14,663,854	13,229	4,157,705	559,782	222,604	33,656	586,530	20,237,360
ACCUMULATED DEPRECIATION:								
At January 1, 2023	1,666,312	2,377	789,538	129,204	91,714	27,892	-	2,707,037
Provided for the year	557,832	747	297,874	49,439	6,465	1,831	-	914,188
Disposals	(17,533)	(4)	(17,467)	(12,576)	(10,459)	-	-	(58,039)
At December 31, 2023	2,206,611	3,120	1,069,945	166,067	87,720	29,723	-	3,563,186
Provided for the year	659,636	561	396,611	58,627	26,125	1,593	-	1,143,153
Transfer to investment properties (Note 18)	(4,444)	-	-	-	-	-	-	(4,444)
Disposals	(1,545)	-	(37,608)	(13,853)	(5,403)	(1,735)	-	(60,144)
At December 31, 2024	2,860,258	3,681	1,428,948	210,841	108,442	29,581	-	4,641,751
ACCUMULATED IMPAIRMENT:								
At January 1, 2023	25,938	-	3,617	11	-	-	-	29,566
Provided for the year	7,844	-	35	-	-	-	-	7,879
Disposals	(1,371)	-	(10)	-	-	-	-	(1,381)
At December 31, 2023	32,411	-	3,642	11	-	-	-	36,064
Provided for the year	400,516	-	83,426	7,962	-	-	1,310	493,214
Transfer to investment properties (Note 18)	(10,052)	-	-	-	-	-	-	(10,052)
Disposals	-	-	(439)	-	-	-	-	(439)
At December 31, 2024	422,875	-	86,629	7,973	-	-	1,310	518,787
CARRYING AMOUNTS:								
At December 31, 2024	11,380,721	9,548	2,642,128	340,968	114,162	4,075	585,220	15,076,822
At December 31, 2023	10,610,454	10,109	2,232,621	338,672	122,917	8,430	1,858,210	15,181,413

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

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

At December 31, 2024, building ownership certificates in respect of certain buildings of the Group with an aggregate carrying amount of RMB76,526,000 (2023: RMB79,073,000) had not been issued by the relevant PRC authorities.

18. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
COST:		
At the beginning of the year	54,296	54,296
Transfer from property, plant and equipment (Note 17)	14,497	–
Disposals	(23,274)	–
At the end of the year	45,519	54,296
ACCUMULATED DEPRECIATION:		
At the beginning of the year	27,592	25,663
Provided for the year	1,531	1,929
Transfer from property, plant and equipment (Note 17)	4,444	–
Disposals	(7,973)	–
At the end of the year	25,594	27,592
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	8,259	4,818
Provided for the year	14,209	3,441
Transfer from property, plant and equipment (Note 17)	10,052	–
Disposals	(14,871)	–
At the end of the year	17,649	8,259

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18. INVESTMENT PROPERTIES *(Continued)*

	2024 RMB'000	2023 RMB'000
CARRYING AMOUNTS:		
At the beginning of the year	18,445	23,815
At the end of the year	2,276	18,445

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

19. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Properties RMB'000	Machinery and equipment RMB'000	Total RMB'000
Carrying amounts as at January 1, 2023	2,314,113	89,206	52,264	2,455,583
Additions	458,857	47,338	8,559	514,754
Early termination of lease agreements	(26,019)	–	–	(26,019)
Depreciation provided for the year	(164,068)	(28,047)	(7,653)	(199,768)
Sublease classified as a finance lease	(8,873)	–	–	(8,873)
Carrying amounts as at December 31, 2023	2,574,010	108,497	53,170	2,735,677
Additions	72,602	489,203	279	562,084
Early termination of lease agreements	(21,172)	(393)	–	(21,565)
Depreciation provided for the year	(174,539)	(28,923)	(3,656)	(207,118)
Sublease classified as a finance lease	(1,411)	–	–	(1,411)
Impairment	(19,636)	–	–	(19,636)
Carrying amounts as at December 31, 2024	2,429,854	568,384	49,793	3,048,031

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For the year ended December 31, 2024

19. RIGHT-OF-USE ASSETS *(Continued)*

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Expense relating to short-term leases*	39,526	21,194
Variable lease payments not included in the measurement of lease liabilities* (Note)	12,303	8,834
Total cash outflow for leases	245,527	223,376

* Before capitalisation to biological assets and inventories

Note:

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

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

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

Restrictions or covenants on leases

Lease liabilities of RMB2,236,807,000 (as at December 31, 2023: RMB1,822,701,000) were recognised with related right-of-use assets with an aggregate carrying amount of RMB2,284,409,000 (as at December 31, 2023: RMB1,923,109,000) as at December 31, 2024. These lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. GOODWILL

	2024 RMB'000	2023 RMB'000
COST:		
At the beginning and the end of the year	792,980	792,980
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	120,966	–
Provided for the year	–	120,966
At the end of the year	120,966	120,966
CARRYING AMOUNT:		
At beginning of the year	672,014	792,980
At the end of the year	672,014	672,014

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 in the raw milk business segment.

The recoverable amount of the CGUs of SKX Group and Fonterra China Farms Group have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the CGUs covering the following 5 years. The discount rate used for the cash flow projection is the pre-tax rate of 12.9% (2023: 13%). The cash flows beyond the five-year period are extrapolated using 2.0% growth rate per annum (2023: 2.5%). Other key assumptions for the value in use calculations include selling price, volume of sale and gross profit margin which are determined based on the CGUs’ past performance and management expectations for the market development.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. GOODWILL *(Continued)*

(i) SKX Group

During the year ended December 31, 2024, management of the Group determines that there is no impairment on SKX Group (2023: impairment loss of RMB120,966,000).

As at December 31, 2024, the recoverable amount of SKX Group exceeds its carrying amount by RMB39,744,000. If the discount rate was changed to 12.95%, or the growth rate beyond the five-year period was changed to 1.93%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount.

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

(ii) Fonterra China Farms Group

During the years ended December 31, 2024 and 2023, the management of the Group determines that there is no impairment on Fonterra China Farms Group.

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

Notes to the Consolidated Financial Statements

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21. INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
COST:			
At January 1, 2023	27,095	733	27,828
Additions	402	–	402
Transferred from property, plant and equipment (Note 17)	4,025	–	4,025
At December 31, 2023	31,522	733	32,255
Additions	4,787	–	4,787
Disposal	–	(733)	(733)
At December 31, 2024	36,309	–	36,309
ACCUMULATED AMORTISATION:			
At January 1, 2023	4,149	516	4,665
Provided for the year	2,238	174	2,412
At December 31, 2023	6,387	690	7,077
Provided for the year	3,382	43	3,425
Disposal	–	(733)	(733)
At December 31, 2024	9,769	–	9,769
CARRYING AMOUNTS:			
At December 31, 2024	26,540	–	26,540
At December 31, 2023	25,135	43	25,178

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

Computer software	10 years
Patents	10 to 15 years

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22. BIOLOGICAL ASSETS

A – Nature of activities

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

	31/12/2024 Heads	31/12/2023 Heads
Dairy cows:		
Calves and heifers	296,660	298,531
Milkable cows	324,908	284,208
Feeder cattle	145	60
Breeding stock:		
Breeding bulls	112	101
Breeding goats, young male goats and male goat lambs	590	88
Dairy goats:		
Milkable goats	6,876	–
Young female goats and female goat lambs	12,288	7,707
Total	641,579	590,695

Milkable cows, calves and heifers are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets. Feeder cattle mainly include calves for sale to external customers and is classified as current assets. Breeding bulls are for the purpose of production of breeding products, specifically frozen bovine semen and are classified as non-current assets. Breeding goats, young male goats and male goats lambs are maintained for breeding purposes and are classified as non-current assets. Milkable goats, young female goats and female goat lambs are dairy goats for the purpose of production of raw goat milk and are classified as non-current assets.

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

In general, heifers are inseminated when they reached approximately 14 months old. After an approximately 285-day pregnancy term, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days to 340 days before approximately 60 days dry period. When a heifer begins to produce raw milk, it is transferred to the category of milkable cows based on the estimated fair value on the date of transfer.

The fair value of the dairy goats is determined with reference to the market prices of items with similar age, breed and genetic merit.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. BIOLOGICAL ASSETS *(Continued)*

A – Nature of activities *(Continued)*

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

i. Regulatory and environmental risks

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

ii. Climate, disease and other natural risks

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

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

	For the year ended December 31, 2024	For the year ended December 31, 2023
Volume of raw milk produced for sale (Ton) (Note)	3,669,563	2,945,840
Volume of breeding products produced for sale (Straw/unit)	1,144,814	1,368,707

Note:

The production volume of raw milk comprises both cow's milk and goat's milk.

C – Value of biological assets

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Dairy cows:		
Calves and heifers	6,294,224	6,051,392
Milkable cows	8,657,642	8,385,409
Feeder cattle	250	212
Breeding stock:		
Breeding bulls and others	122,995	56,507
Breeding goats, young male goats and male goat lambs	7,888	1,379
Dairy goats:		
Milkable goats	105,424	–
Young female goats and female goat lambs	176,780	111,211
Total	15,365,203	14,606,110
Less: current portion classified under current assets	(250)	(212)
Non-current portion classified under non-current assets	15,364,953	14,605,898

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For the year ended December 31, 2024

22. BIOLOGICAL ASSETS (Continued)

C – Value of biological assets (Continued)

The movements in biological assets are set out below:

	Calves and heifers RMB'000	Milkable cows RMB'000	Breeding bulls and others RMB'000	Breeding goats RMB'000	Dairy goats RMB'000	Total non- current assets RMB'000	Feeder cattle RMB'000
At January 1, 2023	5,931,614	7,204,357	85,447	–	–	13,221,418	8,490
Purchase cost	376,129	37,931	8,863	1,129	81,978	506,030	–
Feeding and other related costs	5,522,448	–	6,151	472	29,329	5,558,400	14,210
Transfer	(5,237,576)	5,237,793	–	–	–	217	(217)
Decrease due to disposal/death	(86,556)	(982,095)	(1,641)	(32)	(708)	(1,071,032)	(18,135)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(454,667)	(3,112,577)	(42,313)	(190)	612	(3,609,135)	(4,136)
At December 31, 2023	6,051,392	8,385,409	56,507	1,379	111,211	14,605,898	212
Purchase cost	–	–	1,574	244	90,718	92,536	–
Feeding and other related costs	5,249,105	–	18,631	1,094	34,578	5,303,408	8,055
Transfer	(5,062,875)	5,055,669	7,275	–	–	69	(69)
Decrease due to disposal/death	(71,022)	(647,992)	(2,679)	–	(92)	(721,785)	(1,761)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	127,624	(4,135,444)	41,687	5,171	45,789	(3,915,173)	(6,187)
At December 31, 2024	6,294,224	8,657,642	122,995	7,888	282,204	15,364,953	250

The directors of the Company have engaged an independent valuer, Jones Lang LaSalle, independent qualified professional valuer which is not connected to the Group, to assist the Group in assessing the fair values of Group's biological assets. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 44.

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22. BIOLOGICAL ASSETS (Continued)

C – Value of biological assets (Continued)

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

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	4,468,909	3,275,246
Loss arising from changes in fair value less costs to sell of biological assets	(3,921,360)	(3,613,271)

23. DEFERRED TAX ASSETS/LIABILITIES

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deferred tax assets	46,778	35,388
Deferred tax liabilities	(11,449)	(7,292)
	35,329	28,096

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

	ECL provision RMB'000	Impairment loss on assets RMB'000	Government grants RMB'000	Fair value adjustments RMB'000 (Note)	Lease liabilities RMB'000	Right of use assets RMB'000	Equity instruments at FVTOCI RMB'000	Tax loss RMB'000	Other provisions RMB'000	Total RMB'000
At January 1, 2023	18,988	1,165	4,192	(6,192)	-	-	-	-	-	18,153
(Charged)/credited to profit or loss	(9,304)	3,186	160	277	1,427	(1,377)	-	-	-	(5,631)
Credited to other comprehensive income	-	-	-	-	-	-	15,574	-	-	15,574
At December 31, 2023	9,684	4,351	4,352	(5,915)	1,427	(1,377)	15,574	-	-	28,096
Credited/(charged) to profit or loss	4,908	(3,637)	(105)	265	4,898	(4,422)	-	2,243	1,649	5,799
Credited to other comprehensive income	-	-	-	-	-	-	1,434	-	-	1,434
At December 31, 2024	14,592	714	4,247	(5,650)	6,325	(5,799)	17,008	2,243	1,649	35,329

Note:

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

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23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Pursuant to the EIT Law, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008. At December 31, 2024 no deferred tax liability (2023: none) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at December 31, 2024, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB7,665,901,000 (2023: RMB6,473,089,000).

24. INTERESTS IN ASSOCIATES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(241,756)	(162,090)
Exchange adjustments	124,178	110,851
Impairment	(88,964)	–
	891,844	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 activity
Wholesome Harvest Limited ("Wholesome") (Note i)	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken") (Note ii)	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

Notes:

- i. On March 2, 2022, the Company entered into a sale and purchase agreement with Ye Gu Investment Company Limited (the "Seller") and Mr. Zhang Jianshe, the sole shareholder of the Seller, pursuant to which the Company conditionally agreed to purchase, and the Seller conditionally agreed to sell approximately 27.16% of the total issued share capital in Wholesome, which wholly owns China Zhong Di Dairy Holdings Company Limited, at a total consideration of HK\$1,206,380,000 (equivalent to approximately RMB978,386,000). The transaction was completed on March 31, 2022. The directors of the Company consider that the Group is able to exercise significant influence over Wholesome and Wholesome is therefore accounted for as an associate of the Group.
- ii. During the year ended December 31, 2022, the Group made capital contribution of RMB120,000,000 in the establishment of Jiangsu Nongken, over which the Group is able to exercise significant influence and Jiangsu Nongken is therefore accounted for as an associate of the Group.

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24. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS Accounting Standards.

The associate is accounted for using the equity method in these consolidated financial statements.

Wholesome:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	898,519	1,055,681
Non-current assets	4,209,646	4,260,637
Current liabilities	(2,738,781)	(2,694,913)
Non-current liabilities	(185,012)	(209,412)

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Revenue	1,871,418	2,068,564
Loss for the year	(227,620)	(430,135)
Total comprehensive expense for the year	(227,620)	(430,135)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Net assets of Wholesome	2,184,372	2,411,993
Proportion of the Group's ownership interest in Wholesome	27.16%	27.16%
The Group's share of net assets of Wholesome	593,275	655,097
Goodwill	82,428	171,392
Exchange difference	124,178	110,851
Carrying amount of the Group's interest in Wholesome	799,881	937,340

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25. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2024 RMB'000	31/12/2023 RMB'000
Unlisted equity investments in the PRC, at fair value	11,766	18,728

The above unlisted equity investments represent the Group's equity investment in certain private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

During the year, fair value loss of RMB6,962,000 (2023: RMB9,338,000) was recorded and charged to other comprehensive income.

26. INVENTORIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Raw materials	4,095,576	4,277,546
Finished goods	145,862	159,809
Semi-finished goods	8,310	8,246
Breeding products	61,478	59,257
	4,311,226	4,504,858

27. TRADE RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade receivables	766,343	847,469
Less: Allowance for credit losses	(74,700)	(55,398)
	691,643	792,071

Trade receivables from related parties are set out in Note 45.

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27. TRADE RECEIVABLES *(Continued)*

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within 90 days	571,639	728,026
90 days to 180 days	76,566	47,101
181 days to 1 year	32,730	14,674
Over 1 year	10,708	2,270
	691,643	792,071

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Not yet past due	523,478	719,885
Past due less than 30 days	54,774	27,709
Past due more than 30 days but less than 90 days	55,778	34,477
Past due more than 90 days	57,613	10,000
	691,643	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 credit-impaired trade receivables, management will assess the corresponding expected credit loss individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors by groupings of customers with similar loss patterns (i.e., by product type and customer type) taking into consideration the Group's historical default rates and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Further details of impairment assessment of trade receivables under IFRS 9 are set out in Note 43.

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28. CONTRACT ASSETS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Dairy farm equipment:		
Classified under current assets	800	2,278

As at January 1, 2023, contract assets amounted to RMB7,116,000.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Classified under current assets:		
Prepayments	151,252	298,682
Value-added tax recoverable	15,754	18,629
Deposits placed with brokers for commodity forward contracts	3,068	5,090
Rental receivables	1,679	9,379
Utility and other deposits	25,537	28,507
Compensation receivable	3,039	15,039
Advances to staff	1,552	1,022
Pledged receivable (Note)	16,651	–
Other receivables	4,425	12,356
	222,957	388,704
Less: Allowance for credit losses	(9,151)	(8,310)
	213,806	380,394
Classified under non-current assets:		
Pledged receivable (Note)	7,107	23,758
Finance lease receivables	298	5,259
Utility and other deposits	12,656	12,965
	20,061	41,982

Note:

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

As at December 31, 2024, part of the above mentioned bank borrowings is repayable within one year, and the corresponding dividends receivable are classified as current assets.

Details of impairment assessment of other receivables under IFRS 9 are set out in Note 43.

Notes to the Consolidated Financial Statements

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30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Negotiable certificate of deposits with certain banks, at fair value	53,057	–

During 2024 and 2023, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. As at December 31, 2024, the deposits carry fixed-interest rate of 3.10% (December 31, 2023: nil) per annum.

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

31. BANK BALANCES AND CASH, PLEDGED AND RESTRICTED BANK DEPOSITS

Bank balances carry interest at prevailing market rates which range from 0.10% to 1.61% per annum as at December 31, 2024 (2023: 0.01% to 1.80%).

An analysis of pledged and restricted bank deposits is as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deposits pledged to banks to secure banking facilities granted to the Group:		
Bills payable (Note 41)	6,287	5,153
Restricted bank deposits (Note)	124,467	141,874
	130,754	147,027
Less: classified under current assets	(115,821)	(134,087)
Non-current portion	14,933	12,940

Note:

The restricted bank deposits included deposits frozen under court orders in relation to ongoing litigations, deposits restricted to use for land rehabilitation and bank deposits that can be used only to finance the Group's investments in new dairy farms purpose.

The pledged and restricted bank deposits carry interest at rates ranging from 0.10% to 3.03% per annum as at December 31, 2024 (2023: 0.20% to 3.03% per annum).

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For the year ended December 31, 2024

32. TRADE AND BILLS PAYABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Trade payables	1,758,139	1,348,343
Bills payable	517,715	764,849
	2,275,854	2,113,192

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within 1 year	1,730,138	1,314,807
1 to 2 years	5,887	15,605
2 to 3 years	10,839	2,306
More than 3 years	11,275	15,625
	1,758,139	1,348,343

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

33. OTHER PAYABLES AND ACCRUALS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Payables for purchase of property, plant and equipment	791,218	1,187,316
Salaries and welfare payables	340,014	288,566
Deposits received from suppliers	153,616	163,385
Service and professional fee payables	178,759	145,755
Freight charges payables	89,668	96,373
Storage fee payables	9,739	14,083
Non-income tax related tax payables	13,819	17,885
Sundry payables and accrued expenses	63,870	69,387
	1,640,703	1,982,750

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For the year ended December 31, 2024

34. CONTRACT LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Receipts in advance from customers for:		
Sales of raw milk	14	13
Sales of feeds	7,290	14,090
Sales of ruminant farming products	1,322	4,685
Sales of breeding products	2,163	4,944
Sales of feeder cattle	19,543	7,499
	30,332	31,231

As at January 1, 2023, contract liabilities amounted to RMB41,895,000.

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects the contract liabilities at the reporting period end will be recognised as revenue within one year.

Revenue recognised during the reporting period included the whole amount of contract liabilities at the beginning of the reporting period. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior years.

35. BANK AND OTHER BORROWINGS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Bank borrowings:		
Unsecured	23,169,645	24,823,071
Secured (Note (i))	856,388	1,213,390
Other borrowings (Note (ii))	230,369	223,127
	24,256,402	26,259,588
Fixed rate borrowing	6,659,568	7,364,111
Floating rate borrowing	17,596,834	18,895,477
	24,256,402	26,259,588
The carrying amounts of the above borrowings are repayable:		
Within one year	16,709,437	16,433,086
More than one year but within two years	2,108,005	3,851,780
More than two years but within five years	4,241,060	4,147,876
More than five years	1,197,900	1,826,846
	24,256,402	26,259,588
Less: Amounts due within one year shown under current liabilities	(16,709,437)	(16,433,086)
Amounts shown under non-current liabilities	7,546,965	9,826,502

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35. BANK AND OTHER BORROWINGS (Continued)

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

	2024 %	2023 %
Effective interest rates:		
Floating rate borrowing	1.92 to 6.80	1.95 to 6.80
Fixed rate borrowing	2.00 to 3.91	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 ("SOFR").

Notes:

- (i) The secured bank borrowings of the Group are secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group.
- (ii) On August 30, 2022, the Group received a borrowing from the local government of approximately RMB216 million to finance the Group's investments in new dairy farms. The borrowing bears no interest in the first two years and bears a fixed interest of 2% per annum from the third year to the maturity date. The government loan with below-market rates of interest is initially measured at fair value based on prevailing market interest rate and the difference between proceeds received and the fair value of the loan is treated as a government grant.

On September 23, 2023, the Group received a borrowing from the local government of approximately RMB55 million to finance the capital expenditures of new dairy farms. The borrowing bears a fixed interest of 2.5% per annum to the maturity date.

- (iii) During the current year, in respect of bank borrowings with carrying amount of RMB1.93 billion as at December 31, 2024, certain subsidiaries of the Group breached certain financial covenants of the bank borrowings, primarily related to the debt-to-asset ratio of the subsidiaries which have newly built dairy farms and not yet generated revenue. As at 31 December 2024, the long-term bank borrowings involved was classified as current liabilities in the consolidated statement of financial position.

The Group has informed the lenders and commenced renegotiation of the terms of the borrowings with the relevant bankers. Up to the date of approval for issuance of these consolidated financial statements, a bank borrowing of RMB50,000,000 had been renewed with a revised covenant. For all other borrowings, and the Group has reached waiver agreements or remedial measures with the respective lenders.

36. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Balance at beginning of the year	728,211	619,510
Government grants received	171,963	299,279
Released to other income (Note 8)	(84,819)	(190,578)
Released to finance cost	(455)	-
Balance at end of the year	814,900	728,211

Deferred income arising from government grants of the Group mainly represents:

- (i) the government grants received for capital expenditure incurred for the acquisition of property, plant and equipment and right-of-use assets. The amounts are deferred and are credited to the profit or loss on a systematic basis over the useful lives of the related assets.
- (ii) the government grant received for purchase of biological assets measured at fair value less costs to sell. The amount is recognised in profit or loss when the conditions attaching to the government grant are met.

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37. LEASE LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Lease liabilities payable:		
Within one year	248,410	220,788
Within a period of more than one year but not more than two years	328,183	141,158
Within a period of more than two years but not more than five years	361,685	349,249
Within a period of more than five years	1,298,529	1,111,506
	2,236,807	1,822,701
Less: Amount due for settlement within 12 months shown under current liabilities	(248,410)	(220,788)
Amount due for settlement after 12 months shown under non-current liabilities	1,988,397	1,601,913

The Group leases lands, properties, machinery and equipment to operate its dairy farm business and these lease liabilities were measured at the present value of the lease payments that are not yet paid. As at December 31, 2024, the weighted average incremental borrowing rate applied ranging from 2.60% to 5.25% (2023: 2.93% to 5.25%) per annum.

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities of the Group were unguaranteed and secured by rental deposits.

38. OTHER PROVISIONS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Classified under current liabilities:		
Provisions for arbitration regarding the adjustments made to the consideration for acquisition of SKX Group	19,807	19,807
Provision for litigations	6,596	–
	26,403	19,807
Classified under non-current liability:		
Provision for land rehabilitation	25,311	22,535
	25,311	22,535

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39. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
At January 1, 2023, December 31, 2023 and 2024	10,000,000,000	100,000	691
Issued and fully paid:			
At January 1, 2023, December 31, 2023	3,795,404,000	37,954	251
Issue of shares (Note)	97,323,833	973	7
At December 31, 2024	3,892,727,833	38,927	258

Note:

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. (華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.

On July 12, 2024, all of the conditions precedent for the above share subscription and share transfer have been fulfilled and the above transaction has been completed.

40. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the PRC government. The PRC subsidiaries are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during the year are disclosed in Note 13. At December 31, 2024 and 2023, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at December 31, 2024 and 2023 under such scheme which may be used by the Group to reduce the contribution payable in future years.

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41. PLEDGE OF ASSETS

Certain of the Group's bank borrowings and bills payable had been secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group and certain assets with carrying amounts as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Pledged bank deposits (Note 31)	6,287	5,153
	6,287	5,153

42. CATEGORIES OF FINANCIAL INSTRUMENTS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Financial assets		
Financial assets at amortised cost	3,854,257	6,616,275
Equity instruments at FVTOCI	11,766	18,728
Debt instruments at FVTOCI	–	4,323
Financial assets at FVTPL	53,057	–
Financial liabilities		
Financial liabilities at amortised cost	27,971,086	30,135,666

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivable, deposits and other receivables, pledged and restricted bank deposits, bank balances and cash, amounts due from/to related parties, deposits placed with a related party, equity instruments at FVTOCI, financial assets at FVTPL, trade and bills payables, other payables, and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies.

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

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

The carrying amounts of the Group's foreign currency denominated monetary items including intra-group balances at the end of the reporting period are as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Assets:		
Bank balances denominated in USD	3,393	2,835
Bank balances denominated in HK\$	104	318
Liabilities:		
Intra-group balances of the Company denominated in RMB	44,490	44,490

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

No sensitivity analysis is presented as the directors of the Company consider that the impact on profit or loss during the reporting period is insignificant, taking into account the carrying amount of monetary items that are denominated in a foreign currency.



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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to negotiable certificate of deposits (Note 30), fixed-rate pledged and restricted bank deposits, fixed-rate bank borrowings and other borrowings (Note 35), lease liabilities (Note 37). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate pledged and restricted bank deposits, deposits placed with a related party (Note 45) and variable-rate bank borrowings (Note 35). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates quoted by PBOC arising from the Group's RMB denominated borrowings and SOFR arising from the Group's USD denominated borrowings.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used during the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances, variable-rate pledged and restricted bank deposits and deposits placed with a related party are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and deposits is insignificant during the year.

If interest rates on variable rate borrowings had been 50 basis points higher/lower and all other variables were held constant (without taking into account the effect of interest capitalisation), the Group's post-tax loss for the year ended December 31, 2024 would increase/decrease by RMB87,787,000 (2023: increase/decrease by RMB94,229,000).

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Except for negotiable certificate of deposits measured at FVTPL, the Group performs impairment assessment under ECL model on financial assets and contract assets individually and/or collectively using a provision matrix with appropriate groupings.

Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality of customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables balances and contract assets individually and/or collectively using a provision matrix, of which these receivables are grouped based on shared credit risk characteristics by reference to aging for the customers. Details of the quantitative disclosures are set out below in this note.

Amounts due from related parties

The receivables from related parties are trade in nature and mostly related to the sales of raw milk and feeds to a shareholder (Note 45). Payments are generally due in two weeks after delivery and there is no history of default. The directors of the Company believe that the failure of the shareholder to make required payments is unlikely after considering its past settlement records and financial position.

Other than concentration of credit risk on trade receivables from a related party of RMB1,347,249,000 as at December 31, 2024 (as at December 31, 2023: RMB1,091,975,000), the Group's trade receivables consist of a large number of customers and does not have any other significant concentration of credit risk.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative or qualitative information that is reasonable and supportive forward-looking information. Details of the quantitative disclosures are set out below in this note.

Bills receivable

The Group only accepts bank acceptance bills issued by reputable PRC banks. The management of the Group considers the credit risk arising from the bills is insignificant.

Bank balances, pledged and restricted bank deposits and deposits placed with a related party

The credit risk on bank balances, pledged and restricted bank deposits and deposits placed with a related party of the Group is limited because the counterparties are banks or other financial institutions with good reputation in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Descriptions	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	N/A	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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For the year ended December 31, 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes			Gross carrying amount as at December 31,	
				2024 RMB'000	2023 RMB'000
Financial assets at amortised cost					
Trade receivables (Note)	27	Low risk	Lifetime ECL (provision matrix)	633,043	742,430
		Loss	Credit-impaired (assessed individually)	133,300	105,039
				766,343	847,469
Deposits and other receivables	29	Low risk	12-month ECL	62,270	89,004
		Loss	Credit-impaired	9,151	8,310
				71,421	97,314
Amounts due from related parties-trade in nature	45	Low risk	Lifetime ECL (assessed individually)	1,354,848	1,099,751
Amounts due from related parties-non-trade in nature	45	Low risk	12-month ECL	73	81
Pledged and restricted bank deposits	31	Low risk	12-month ECL	130,754	147,027
Bank balances	31	Low risk	12-month ECL	829,310	3,935,982
Deposits placed with a related party	45	Low risk	12-month ECL	785,359	552,359
Debt instruments at FVTOCI					
Bills receivable		Low risk	12-month ECL	–	4,323
Other item					
Contract assets (Note)	28	Low risk	Lifetime ECL (provision matrix)	800	2,278

Note: For trade receivables, amounts due from related parties (trade in nature) and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, which are assessed individually, the Group determines the expected credit losses on trade receivables and contract assets by using a provision matrix, by reference to the aging of outstanding balances, as these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively based on a provision matrix of aging information.

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within 90 days	552,697	691,569
90 days to 1 year	80,346	50,861
Total	633,043	742,430

The average loss rate as at December 31, 2024 is ranging from 1.54% to 7.52% (2023: 1.81% to 8.75%) which are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables measured at amortised cost under the simplified approach.

	Lifetime ECL (Not credit- impaired) RMB'000	Lifetime ECL (Credit- impaired) RMB'000	Total RMB'000
As at January 1, 2023	24,371	84,882	109,253
Changes for trade receivables recognised as at January 1, 2023:			
Impairment loss recognised	–	30,161	30,161
Impairment loss reversed	(23,092)	(20,924)	(44,016)
Write-offs	–	(57,826)	(57,826)
Transfer	(1,279)	1,279	–
New trade receivables originated	13,476	4,350	17,826
As at December 31, 2023	13,476	41,922	55,398
Changes for trade receivables recognised as at January 1, 2024:			
Impairment loss recognised	–	60,422	60,422
Impairment loss reversed	(11,003)	(37,798)	(48,801)
Write-offs	–	(4,124)	(4,124)
Transfer	(2,473)	2,473	–
New trade receivables originated	10,314	1,491	11,805
As at December 31, 2024	10,314	64,386	74,700

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For the year ended December 31, 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

During the year ended December 31, 2024, the Group reversed RMB689,000 (2023: provided RMB9,616,000) impairment allowance for trade receivables based on the provision matrix. Additional impairment allowance of RMB24,115,000 (2023: RMB13,587,000) were assessed individually and provided on credit-impaired debtors for the year ended December 31, 2024.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

During the year, the exposure to credit risk of contract assets assessed based on provision matrix is insignificant.

The following table shows the movement in ECL that has been recognised for deposits and other receivables measured at amortised cost.

	Lifetime ECL (credit-impaired) RMB'000
As at January 1, 2023	5,659
Changes for other receivables recognised as at January 1, 2023:	
Impairment loss recognised	3,413
Impairment loss reversed	(755)
Write-offs	(7)
As at December 31, 2023	8,310
Changes for other receivables recognised as at January 1, 2024:	
Impairment loss recognised	1,218
Impairment loss reversed	(171)
Write-offs	(206)
As at December 31, 2024	9,151

The Group writes off the deposits and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the other receivables are over two years past due, whichever occurs earlier.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with covenants.

The Group had net current liabilities of RMB12,753,694,000 as at December 31, 2024, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company regularly monitor the operating cash flows of the Group to meet its liquidity requirement in the short and long term. The Group's net current liabilities position as at December 31, 2024 was mainly attributable to bank and other borrowings.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance, including unutilised banking facilities, in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows during the year.

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from December 31, 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 banking facilities obtained and renewal of certain bank borrowings. The directors of the Company, after taking into account the reasonably possible changes in the operational performance and the availability of borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due.

The following table sets out the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Weighted average interest rate %	On-demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2024							
Trade and bills payables	-	2,275,854	-	-	-	2,275,854	2,275,854
Other payables and accruals	-	1,286,870	-	-	-	1,286,870	1,286,870
Amounts due to related parties	-	151,960	-	-	-	151,960	151,960
Bank and other borrowings:							
Fixed-rate	2.00-3.91	5,955,065	286,812	390,952	156,569	6,789,398	6,659,568
Floating-rate	1.92-6.80	11,363,913	2,047,889	4,129,811	1,087,936	18,629,549	17,596,834
Lease liabilities	2.60-5.25	253,100	356,728	456,521	2,288,561	3,354,910	2,236,807
		21,286,762	2,691,429	4,977,284	3,533,066	32,488,541	30,207,893
As at December 31, 2023							
Trade and bills payables	-	2,113,192	-	-	-	2,113,192	2,113,192
Other payables and accruals	-	1,676,299	-	-	-	1,676,299	1,676,299
Amounts due to related parties	-	79,277	-	-	-	79,277	79,277
Bank and other borrowings:							
Fixed-rate	2.10-4.00	6,360,075	323,035	634,794	206,914	7,524,818	7,364,111
Floating-rate	1.95-6.80	10,701,789	3,747,878	3,783,681	1,671,903	19,905,251	18,895,477
Lease liabilities	2.93-5.25	227,525	151,658	425,702	2,245,171	3,050,056	1,822,701
Other liabilities	5.30	7,500	-	-	-	7,500	7,310
		21,165,657	4,222,571	4,844,177	4,123,988	34,356,393	31,958,367

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

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44. FAIR VALUE MEASUREMENTS

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

The Group's biological assets and certain of the Group's financial assets are measured at fair value on a recurring basis at the end of the reporting period. The following table gives information about how the fair values of these biological assets and financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2024				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	–	–	6,294,224	6,294,224
Milkable cows (Note (b))	–	–	8,657,642	8,657,642
Feeder cattle (Note (c))	–	–	250	250
Breeding bulls and others (Note (d))	–	–	122,995	122,995
Dairy goats (Note (e))	–	–	282,204	282,204
Breeding goats, young male goats and male goat lambs (Note (f))	–	–	7,888	7,888
Equity instruments at FVTOCI (Note (h))	–	–	11,766	11,766
Financial assets at FVTPL (Note (i))	–	53,057	–	53,057
	–	53,057	15,376,969	15,430,026

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

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

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(a)	Biological assets – Calves and heifers	<p>The fair value of 14 months old heifers is determined by reference to the local market selling price.</p> <p>The fair values of calves and heifers at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period to 14 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated local market selling prices of the heifers of 14 months old are RMB22,600 to RMB24,500 per head as at December 31, 2024 (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 RMB18,475 to RMB20,727 as at December 31, 2024 (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 RMB14,225 to RMB17,752 as at December 31, 2024 (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 Consolidated Financial Statements

For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(b)	Biological assets – Milkable cows	The fair values of milkable cows are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such milkable cows.	<p>Estimated feed costs per kg of raw milk used in the valuation are ranging from RMB2.00 to RMB2.85 as at December 31, 2024 (2023: RMB2.36 to RMB3.21), taking into account management's experience and knowledge of market conditions.</p> <p>A milkable cow could have as many as six lactation cycles. Estimated daily milk yield at each lactation cycle is ranging from 17.22 kg to 36.69 kg as at December 31, 2024 (2023: 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 RMB3,580 to RMB5,810 per tonne as at December 31, 2024 (2023: RMB4,020 to RMB6,280 per tonne), taking into account management's experience and knowledge of market conditions.</p> <p>Discount rate for estimated future cash flows used is 12.9% as at December 31, 2024 (2023: 13%), taking into account weighted average cost of capital determined using a capital asset pricing model.</p>	<p>An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa.</p> <p>An increase in the estimated daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated average selling price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa.</p> <p>An increase in the estimated discount rate used would result in a decrease in the fair value measurement of milkable cows, and vice versa.</p>

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(c)	Biological assets – Feeder cattle	<p>Feeder cattle mainly include 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 value of calves is 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 RMB1,059 per head as at December 31, 2024 (2023: RMB3,068 per head).</p> <p>Estimated feeding costs per head daily for calves are RMB32.36 as at December 31, 2024 (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 Consolidated Financial Statements

For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(d)	Biological assets – Breeding bulls and others	The fair values of breeding bulls are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such breeding bulls.	<p>The estimated feed costs per day per bull used in the valuation are RMB48 as at December 31, 2024 (2023: RMB51 per day) based on the historical average feed costs per day of breeding bulls taking into account management's experience and knowledge of market conditions.</p> <p>Estimated local future market prices for sex-sorting frozen bovine semen are RMB139 per straw as at December 31, 2024 (2023: RMB117 per straw).</p> <p>Estimated local future market prices for conventional frozen bovine semen are RMB24 per straw as at December 31, 2024 (2023: RMB19 per straw).</p> <p>Discount rate for estimated future cash flow used is 12.9% as at December 31, 2024 (2023: 13%) taking into account weighted average cost of capital determined using a capital asset pricing model.</p>	<p>An increase in the estimated feed costs per day of breeding bulls used would result in a decrease in the fair value measurement of the breeding bulls, and vice versa.</p> <p>An increase in the estimated selling price of frozen dairy 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>

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For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(e)	Biological assets – Dairy goats	<p>The fair value of 8 months old dairy goats is determined by reference to the market selling price.</p> <p>The fair values of dairy goats at age group less than 8 months are determined by subtracting the estimated feeding costs required to raise the dairy goats from their respective age at the end of the reporting period to 8 months plus the margins that would normally be required by a raiser.</p> <p>Conversely, the fair values of dairy goats at age group older than 8 months are determined by adding the estimated feeding costs required to raise the dairy goats from 8 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.</p>	<p>Estimated market selling prices of the dairy goats of 8 months old are RMB11,213 per head as at December 31, 2024 (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 RMB3,279 as at December 31, 2024 (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 RMB4,119 as at December 31, 2024 (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 Consolidated Financial Statements

For the year ended December 31, 2024

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(f)	Biological assets – Breeding goats, 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 market selling prices of the breeding goats of 10 months old are RMB11,076 per head at December 31, 2024 (2023: RMB12,546).</p> <p>Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats younger than 8 months old (i.e. from born to 8 months) are RMB3,949 as at December 31, 2024 (2023: RMB5,701).</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 RMB3,869 as at December 31, 2024 (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>

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44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(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 RMB35,000 as at December 31, 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 Consolidated Financial Statements

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44. FAIR VALUE MEASUREMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements

The reconciliations for biological assets are set out in Note 22. The reconciliations for financial assets under Level 3 fair value measurements are as follows:

	Equity instruments at FVTOCI RMB'000
At January 1, 2023	28,066
Fair value changes during the year	(9,338)
At December 31, 2023	18,728
Fair value changes during the year	(6,962)
At December 31, 2024	11,766

The fair value changes for equity instruments at FVTOCI during the year ended December 31, 2024 is reported as changes under "investment revaluation reserve".

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

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

Notes to the Consolidated Financial Statements

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45. RELATED PARTY TRANSACTIONS

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

Transactions with Yili Group for the year

	Notes	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Sales of raw milk to Yili Group	(a)	14,322,781	12,447,239
Sales of feeds to Yili Group	(a)	139,749	171,542
Sales of ruminant farming products to Yili Group	(a)	2,293	449
Sales of breeding products to Yili Group	(a)	10,875	14,063
Purchase of raw materials from Yili Group	(a)	48,099	38,955
Purchase of shared financial services from Yili Group	(b)	10,765	11,149
Purchase of other service and materials from Yili Group		4,920	9,688
Other service to Yili Group	(a)	3,296	4,294
Interest income from Yili Group	(f)	9,603	6,026

Transactions with Jiangsu Nongken

	Note	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Sales of feeds to Jiangsu Nongken	(a)	35,362	34,725
Sales of breeding products to Jiangsu Nongken	(a)	1,370	880
Sales of ruminant farming products to Jiangsu Nongken	(a)	780	276
Other service to Jiangsu Nongken	(a)	207	192

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

45. RELATED PARTY TRANSACTIONS (Continued)

Balances with Yili Group

	Notes	31/12/2024 RMB'000	31/12/2023 RMB'000
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,347,249	1,091,975
Prepayments to Yili Group		–	13
		1,347,249	1,091,988
Amounts due to related parties:			
Trade payables to Yili Group	(d)	12,899	8,969
Trade payables to suppliers factored to Yili Group	(e)	139,061	70,308
Deposits placed with Yili Finance Company Limited			
	(f)	785,359	552,359

Balances with Jiangsu Nongken

	Note	31/12/2024 RMB'000	31/12/2023 RMB'000
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	7,599	7,776
Other receivables from Jiangsu Nongken		73	81
		7,672	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 December 31, 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) During years ended December 31, 2024 and 2023, certain suppliers discounted their trade receivables from the Group to the financial institution of Yili Group and got payments earlier than the due date. The Group then received the payment notice confirmed by the suppliers and the financial institution of Yili Group, according to which the Group is required to pay the debts to the financial institution of Yili Group directly.
- (f) The Group entered into the financial services agreement with Yili Finance Company Limited, a subsidiary of Yili Group which has financial institution license. Pursuant to the agreement, Yili Finance Company Limited provided deposit service to the Group. The interest rates are determined according to and shall not be lower than the benchmark deposit rates prescribed by the PBOC and the deposit rates offered by the major commercial banks in the PRC.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

45. RELATED PARTY TRANSACTIONS *(Continued)*

Settlement arrangements with Yili Group

	Note	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(g)	575,396	925,342

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:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Salaries and allowances	18,631	14,485
Retirement benefit scheme contributions	506	403
	19,137	14,888

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

46. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 (Note 37)	Bank and other borrowings RMB'000 (Note 35)	Other liabilities RMB'000	Convertible notes RMB'000	Total RMB'000
At January 1, 2023	1,556,991	20,559,056	14,252	1,206,200	23,336,499
Financing cash flows	(183,088)	4,783,310	(7,500)	(1,438,408)	3,154,314
New leases entered	400,989	–	–	–	400,989
Finance costs	75,282	850,078	558	216,347	1,142,265
Loss on partial redemption	–	–	–	918	918
Early termination of lease agreements	(27,473)	–	–	–	(27,473)
Effect of foreign exchange rate changes	–	67,144	–	14,943	82,087
At December 31, 2023	1,822,701	26,259,588	7,310	–	28,089,599
Financing cash flows	(169,331)	(2,935,701)	(7,500)	–	(3,112,532)
New leases entered	531,646	–	–	–	531,646
Finance costs	75,211	850,016	190	–	925,417
Early termination of lease agreements	(23,420)	–	–	–	(23,420)
Effect of foreign exchange rate changes	–	82,499	–	–	82,499
At December 31, 2024	2,236,807	24,256,402	–	–	26,493,209

Major non-cash transactions

Lease liabilities for leasehold lands, properties, machinery and equipment with a total amount of RMB531,646,000 (2023: RMB400,989,000) were recognised and the corresponding amount of RMB531,646,000 (2023: RMB400,989,000) were recognised as right-of-use assets during the year ended December 31, 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a whole maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings as disclosed in Note 35, respectively, net of bank balances and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure on a continuous basis. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

48. CAPITAL COMMITMENTS

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment, and purchase of biological assets: Contracted but not provided in the consolidated financial statements	949,230	1,617,469

49. CONTINGENT LIABILITIES

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

At the end of the reporting period, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
Yogurt Holding II Limited	British Virgin Island ("BVI")	BVI	USD100	100	100	Investment holding
Yogurt Holding I (HK) Limited	Hong Kong	Hong Kong	USD13	100	100	Investment holding
內蒙古優然牧業有限責任公司 (Inner Mongolia Youran Dairy Co., Ltd.)* ("Inner Mongolia Youran")	PRC	PRC	RMB9,700,000,000	100	100	Investment holding, raising and breeding dairy cows, and raw milk production
內蒙古牧泉元興飼料有限責任公司 (Inner Mongolia Muquan Yuanxing Feed Co., Ltd.)* ("Muquan Yuanxing Feed")	PRC	PRC	RMB136,000,000	100	100	Production and sales of feeds
內蒙古盛德和泰商貿有限責任公司 (Inner Mongolia Shengde Hetai Business Co., Ltd.)*	PRC	PRC	RMB5,000,000	100	100	Trading of feeds
內蒙古伊禾綠錦農業發展有限公司 (Inner Mongolia Yihe Lvjin Agriculture Development Co., Ltd.)*	PRC	PRC	RMB100,000,000	100	100	Planting of feeds
American Western Prataculture Corp. (美國西部草業有限公司)	Delaware, United States of America	United States of America	–	100	100	Inactive
成都優然牧業有限責任公司 (Chengdu Youran Dairy Co., Ltd.)*	PRC	PRC	RMB136,000,000	100	100	Raising and breeding dairy cows and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
合肥優然牧業有限責任公司 (Hefei Youran Dairy Co., Ltd.*)	PRC	PRC	RMB138,000,000	100	100	Raising and breeding dairy cows, and raw milk production
黃岡優然牧業有限責任公司 (Huanggang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB226,000,000	100	100	Raising and breeding dairy cows, and raw milk production
錫林浩特市優然牧業有限責任公司 (Xilin Hot Youran Dairy Co., Ltd.*)	PRC	PRC	RMB222,000,000	100	100	Raising and breeding dairy cows and raw milk production
吳忠優然牧業有限責任公司 (Wuzhong Youran Dairy Co., Ltd.*)	PRC	PRC	RMB74,000,000	100	100	Raising and breeding dairy cows, and raw milk production
肇東市長青畜牧有限公司 (Zhaodong Chang Qing Livestock Co., Ltd.*)	PRC	PRC	RMB191,500,000	100	100	Raising and breeding dairy cows, and raw milk production
南京優然牧業有限責任公司 (Nanjing Youran Dairy Co., Ltd.*)	PRC	PRC	RMB67,000,000	100	100	Raising and breeding dairy cows, and raw milk production
林甸優然牧業有限責任公司 (Lindian Youran Dairy Co., Ltd.*)	PRC	PRC	RMB472,000,000	100	100	Raising and breeding dairy cows, and raw milk production
銅川優然牧業有限責任公司 (Tongchuan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB131,000,000	100	100	Raising and breeding dairy cows, and raw milk production
張北中都畜牧有限責任公司 (Zhangbei Zhong Du Livestock Co., Ltd.*)	PRC	PRC	RMB33,000,000	100	100	Raising and breeding dairy cows, and raw milk production
達拉特旗優然牧業有限責任公司 (Dalad Banner Youran Dairy Co., Ltd.*)	PRC	PRC	RMB286,000,000	100	100	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
杜爾伯特蒙古自治縣中都畜牧 有限責任公司 (Duerbote Mongolia Autonomous County Zhongdu Livestock Co., Ltd.*)	PRC	PRC	RMB124,000,000	100	100	Raising and breeding dairy cows, and raw milk production
濟南優然牧業有限責任公司 (Jinan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
阜新優然牧業有限責任公司 (Fuxin Youran Dairy Co., Ltd.*)	PRC	PRC	RMB114,000,000	100	100	Raising and breeding dairy cows, and raw milk production
平頂山優然牧業有限責任公司 (Pingdingshan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
呼倫貝爾優然牧業示範牧場有限責任公司 (Hulunbeier Youran Dairy Co., Ltd.*)	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production
武威市優然牧業有限責任公司 (Wuwei Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
杜爾伯特牧泉元興飼料有限責任公司 (Duerbote Muquan Yuanxing Feed Co., Ltd.*) ("Duerbote Muquan Yuanxing Feed")	PRC	PRC	RMB5,400,000	100	100	Production and sales of feeds
保定伊和生物科技有限責任公司 (Baoding Yihe Bio-Technology Co., Ltd.*)	PRC	PRC	RMB10,000,000	100	100	Production and sales of feeds

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
寧夏伊康元生物科技有限公司 (Ningxia Yikangyuan Bio-Technology Co., Ltd.)* ("Ningxia Bio-Technology")	PRC	PRC	RMB80,000,000	100	100	Production and sales of feeds
山東牧泉元興生物科技有限責任公司 (Shandong Bio-Technology Co., Ltd.)*	PRC	PRC	RMB50,000,000	100	100	Production and sales of feeds
大慶牧泉元興生物科技有限責任公司 (Daqing Bio-Technology Co., Ltd.)*	PRC	PRC	RMB40,000,000	100	100	Production and sales of feeds
烏蘭察布市牧泉元興飼料有限責任公司 (Wulanchabu Muquan Yuanxing Feed Co., Ltd.)* ("Wulanchabu Muquan Yuanxing Feed")	PRC	PRC	RMB60,000,000	100	100	Production and sales of feeds
巴彥淖爾市牧泉元興飼料有限責任公司 (Bayannur Muquan Yuanxing Feed Co., Ltd.)* ("Bayannur Muquan Yuanxing Feed")	PRC	PRC	RMB35,000,000	100	100	Production and sales of feeds
興安盟優然牧業有限責任公司 (Hinggan League Youran Dairy Co., Ltd.)*	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
通遼優然牧業有限責任公司 (Tongliao Youran Dairy Co., Ltd.)*	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
呼和浩特優然牧業有限責任公司 (Hohhot Youran Dairy Co., Ltd.)*	PRC	PRC	RMB700,000,000	100	100	Raising and breeding dairy cows and raw milk production
駐馬店優然牧業有限責任公司 (Zhumadian Youran Dairy Co., Ltd.)*	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production

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50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
呼和浩特金河優然牧業有限責任公司 (Hohhot Jinhe Youran Dairy Co., Ltd.*)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
濰坊優然牧業有限責任公司 (Weifang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
壽光優然牧業有限責任公司 (Shouguang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
開魯優然牧業有限責任公司 (Kailu Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
河北牧泉元興生物科技有限責任公司 (Hebei Muquan Yuanxing Bio-Technology Co., Ltd.*)	PRC	PRC	RMB50,000,000	100	100	Production and sales of feeds
延安洛川優然牧業有限責任公司 (Yanan Luochuan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB78,000,000/ RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
合肥元興牧業有限責任公司 (Hefei Yuanxing Dairy Co., Ltd.*)	PRC	PRC	RMB42,000,000	100	100	Raising and breeding dairy cows, and raw milk production
內蒙古聚牧城科技有限責任公司 (Inner Mongolia Jumucheng Technology Co., Ltd.*)	PRC	PRC	RMB10,000,000	100	100	Sales of fodder
內蒙古優創實業有限責任公司 (Inner Mongolia Youchuang Industrial Co., Ltd.*)	PRC	PRC	RMB30,000,000	100	100	Construction materials sales,wire, and real estate development and operation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
聊城優然牧業有限責任公司 (Liaocheng Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
昌吉優然牧業有限責任公司 (Changji Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
昌邑優然牧業有限責任公司 (Changyi Youran Dairy Co., Ltd.*)	PRC	PRC	RMB180,000,000	100	100	Raising and breeding dairy cows and raw milk production
雲南優然牧業有限責任公司 (Yunnan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB60,740,000	100	100	Raising and breeding dairy cows and raw milk production
洛陽優然牧業有限責任公司 (Luoyang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
清水河優然牧業有限責任公司 (Qingshuihe Youran Dairy Co., Ltd.*)	PRC	PRC	RMB120,000,000	100	100	Raising and breeding dairy cows and raw milk production
唐山優然牧業有限責任公司 (Tangshan Youran Dairy Co., Ltd. *, formerly known as Fonterra (Yutian) Dairy Farm Co., Ltd. *)	PRC	PRC	RMB1,772,390,272	100	100	Raising and breeding dairy cows and raw milk production
山西優然天合牧業有限責任公司 (Shanxi Youran Tianhe Dairy Co., Ltd. *, formerly known as Fonterra (Ying) Dairy Farm Co., Ltd. *)	PRC	PRC	RMB2,220,345,046/ RMB2,258,816,796	100	100	Raising and breeding dairy cows and raw milk production
寒亭優然牧業有限責任公司 (Hanting YouRan Dairy Co., Ltd. *)	PRC	PRC	RMB150,000,000	100	100	Raising and breeding dairy cows and raw milk production

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50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
山西優然牧業有限責任公司 (Shanxi Youran Dairy Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優然興草生態農業有限公司 (Inner Mongolia Youran Xingcao Ecological Agriculture Co., Ltd.*)	PRC	PRC	RMB10,000,000	100	100	Planting of feeds
平涼優然牧業有限責任公司 (Pingliang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
獻縣優然牧業有限責任公司 (Xianxian Youran Dairy Co., Ltd.*)	PRC	PRC	RMB132,500,000/ RMB300,000,000	100	100	Raising and breeding dairy cows and raw milk production
托克托縣優然牧業有限責任公司 (Tuoketuoxian Youran Dairy Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優牧奶業投資管理有限公司 (Inner Mongolia Youmu Dairy Industry Investment Management Co., Ltd.*) ("Youmu Investment Management")	PRC	PRC	RMB225,771,900/ RMB1,000,000,000	100/51 (Note)	100/51 (Note)	Investing
內蒙古優牧畜牧服務有限責任公司 (Inner Mongolia Youmu Livestock Service Co., Ltd.*)	PRC	PRC	RMB2,000,000	100	100	Sales of fodder
內蒙古敕勒川旅遊文化有限公司 (Inner Mongolia Chielechuan Tourism and Culture Co., Ltd.*)	PRC	PRC	RMB500,000	100	100	Tourism and cultural services

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
安達市優然牧業有限責任公司 (Anda Youran Animal Husbandry Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
咸陽優然智慧牧業有限責任公司 (Xianyang Youran intelligent Animal Husbandry Co., Ltd.*)	PRC	PRC	RMB37,850,000/ RMB50,000,000	100	N/A	Raising and breeding dairy cows and raw milk production
SKX	PRC	PRC	RMB918,600,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production, and production and sale of breeding products
內蒙古犇騰牧業有限公司 (Inner Mongolia Best Holsteins Co., Ltd*)	PRC	PRC	RMB560,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星牧業有限公司 (Inner Mongolia SK Xing Dairy Co., Ltd*)	PRC	PRC	RMB88,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
寧夏賽科星養殖有限責任公司 (Ningxia SK Xing Breeding Co., Ltd.*) ("Ningxia SKX")	PRC	PRC	RMB74,200,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
鄂爾多斯市賽科星養殖有限責任公司 (Ordos SK Xing Breeding Co., Ltd.*) ("Ordos SKX")	PRC	PRC	RMB50,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
滄州賽科星牧業有限公司 (Cangzhou SK Xing Dairy Co., Ltd*) ("Cangzhou SKX")	PRC	PRC	RMB40,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
定州市賽科星伊人牧業有限公司 (Dingzhou SK Xing Yiren Dairy Co., Ltd*) ("Dingzhou SKX")	PRC	PRC	RMB41,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
鄂托克旗賽優牧業有限公司 (Etuokeqi Saiyou Dairy Co., Ltd*) ("Etuokeqi Saiyou")	PRC	PRC	RMB45,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
北京海華雲都生態農業有限公司 (Beijing Haihuayundu Ecological Agriculture Co., Ltd.*) ("Beijing Haihuayundu")	PRC	PRC	RMB477,188,074	66.86	58.36	Raising and breeding dairy cows, and raw milk production
呼倫貝爾市賽優牧業有限公司 (Hulun Buir Saiyou Dairy Co., Ltd.*) ("Hulun Buir Saiyou")	PRC	PRC	RMB210,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
河北犇放牧業有限公司 (Hebei Benfang Dairy Co., Ltd*)	PRC	PRC	RMB240,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
達拉特旗賽優牧業有限公司 (Dalateqi Saiyou Dairy Co., Ltd.*) ("Dalateqi Saiyou")	PRC	PRC	RMB100,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
武強賽優牧業有限公司 (Wuqiang Saiyou Dairy Co., Ltd*)	PRC	PRC	RMB51,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
華夏畜牧興化有限公司 (Huaxia Livestock Xinghua Co., Ltd*) ("Huaxia Xinghua")	PRC	PRC	RMB462,457,540	66.86	58.36	Raising and breeding dairy cows, and raw milk production
濟源市賽科星牧業有限公司 (Jiyuan SK Xing Dairy Co., Ltd*) ("Jiyuan SKX")	PRC	PRC	RMB66,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
尋甸賽優牧業有限公司 (Xundian Saiyou Dairy Co., Ltd*) ("Xundian Saiyou")	PRC	PRC	RMB80,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星家畜種業與繁育生物 技術研究院有限公司 (Inner Mongolia SK Xing Livestock Seed Industry and Breeding Bio-Technology Research Institute Co., Ltd.*)	PRC	PRC	RMB100,000,000	66.86	58.36	Raising and breeding of livestock, and cloning technology development
承德賽優牧業有限公司 (Chengde Saiyou Dairy Co., Ltd.*)	PRC	PRC	RMB40,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
呼倫貝爾賽科星牧業有限責任公司 (Hulun Buir SK Xing Dairy Co., Ltd.*)	PRC	PRC	RMB126,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2024 %	2023 %	
清水河賽科星牧業有限責任公司 (Qingshuihe SK Xing Dairy Co., Ltd.*)	PRC	PRC	RMB40,000,000	66.86	58.36	Raising and breeding dairy cows, and raw milk production
巴彥淖爾賽科星牧業有限責任公司 (Bayan Nur SK Xing Dairy Co., Ltd.*)	PRC	PRC	RMB226,802,392	66.86	58.36	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星肉牛良種繁育有限公司 (Inner Mongolia SK Xing Beef Cattle Breeding PRC Co., Ltd.*)		PRC	-RMB7,000,000	66.86	58.36	Raising and breeding livestock, and cloning technology development

* The English name of the Chinese company marked with "*" are translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

All subsidiaries incorporated in the PRC are companies with limited liability under PRC law.

Note: On June 17, 2022, Inner Mongolia Youran entered into an investment agreement with an investor (the "Investor") to jointly establish Youmu Investment Management. Inner Mongolia Youran and the Investor holds 51% and 49% of voting rights, respectively according to the investment agreement. The Investor is entitled to fixed annual return on its funding to Youmu Investment Management during the investment period, therefore such funding is accounted for as other borrowings (see Note 35), and Youmu Investment Management is accounted for as a wholly-owned subsidiary of the Company.

None of the subsidiaries has issued any debt securities as at December 31, 2024 (2023: none).

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of establishment and operations	Proportion of interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests for the year ended		Accumulated non-controlling interests at	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2023
				RMB'000	RMB'000	RMB'000	RMB'000
SKX Group	The PRC	33.14%	41.64%	(170,597)	(402,912)	864,512	1,267,977

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	1,996,465	1,839,289
Non-current assets	7,040,962	7,125,042
Current liabilities	(4,786,673)	(3,983,848)
Non-current liabilities	(1,555,820)	(1,938,480)
Net assets	2,694,934	3,042,003
Equity attributable to owners of the Company	1,830,422	1,774,026
Non-controlling interests of SKX Group	864,512	1,267,443
Non-controlling interests of SKX's subsidiary	–	534
	2,694,934	3,042,003
	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Revenue	3,685,344	3,624,896
Expenses	(4,027,756)	(4,504,102)
Loss for the year	(342,412)	(879,206)
Other comprehensive (expense)/income	(4,057)	6,319
Total comprehensive expense for the year	(346,469)	(872,887)
Loss for the year attributable to:		
Owners of the Company	(171,815)	(476,294)
Non-controlling interests of SKX Group	(170,597)	(402,912)
	(342,412)	(879,206)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(174,423)	(472,606)
Non-controlling interests of SKX Group	(172,046)	(400,281)
	(346,469)	(872,887)
Net cash inflows/(outflows) from:		
Operating activities	1,090,847	1,020,972
Investing activities	(1,250,095)	(1,023,662)
Financing activities	528,309	103,278
	369,061	100,588

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets		
Interests in a subsidiary	11,084,968	10,921,726
Interests in an associate	799,881	937,340
	11,884,849	11,859,066
Current assets		
Amounts due from a subsidiary	6,532	4,390
Bank balances and cash	2,435	2,582
	8,967	6,972
Current liabilities		
Amounts due to a subsidiary	44,490	44,490
Other payables and accruals	350	1,617
Bank borrowings	4,133,195	5,258,807
	4,178,035	5,304,914
Net current liabilities	(4,169,068)	(5,297,942)
Non-current liability		
Bank borrowings	1,437,680	–
	1,437,680	–
Net assets	6,278,101	6,561,124
Capital and reserves		
Share capital	258	251
Reserves	6,277,843	6,560,873
Total equity	6,278,101	6,561,124

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Reserves of the Company

	Share premium RMB'000	Convertible notes equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At January 1, 2023	7,349,088	677,081	478,418	(1,324,559)	-	7,180,028
Profit/(loss) and total comprehensive income/(expense) for the year	-	-	116,911	(614,593)	-	(497,682)
Partial redemption/maturity of convertible notes	-	(677,081)	-	-	639,107	(37,974)
Dividends paid to owners of the Company	(83,499)	-	-	-	-	(83,499)
At December 31, 2023	7,265,589	-	595,329	(1,939,152)	639,107	6,560,873
Profit/(loss) and total comprehensive income/(expense) for the year	-	-	93,321	(517,464)	-	(424,143)
Issue of shares	-	-	-	-	141,113	141,113
At December 31, 2024	7,265,589	-	688,650	(2,456,616)	780,220	6,277,843

52. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from December 31, 2024 to the approval date of these consolidated financial statements by the Board on March 28, 2025.

Five-Year Financial Summary

	For the year ended December 31,				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	20,096,160	18,693,896	18,050,761	15,346,167	11,781,195
Cost of sales	(18,782,079)	(17,499,357)	(16,958,848)	(14,333,273)	(11,048,726)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	4,468,909	3,275,246	3,131,809	3,681,585	2,870,723
Gross profit	5,782,990	4,469,785	4,223,722	4,694,479	3,603,192
Loss arising from changes in fair value less costs to sell of biological assets	(3,921,360)	(3,613,271)	(1,617,116)	(407,440)	(413,784)
Other income	549,370	453,821	362,890	151,974	76,979
Impairment loss under expected credit loss model, net of reversal	(24,473)	(6,629)	(32,739)	(12,438)	(45,083)
Impairment loss recognised for goodwill	–	(120,966)	–	–	–
Impairment loss recognised for property, plant and equipment and right-of-use assets	(512,850)	(7,879)	–	–	–
Other gains and losses	(102,152)	143,430	47,999	(52,618)	(54,273)
Fair value loss on convertible notes	–	–	–	(132,910)	(10,769)
Selling and distribution expenses	(632,290)	(619,566)	(590,016)	(556,699)	(453,116)
Administrative expenses	(806,677)	(778,154)	(721,535)	(835,399)	(744,516)
Other expenses	(122,881)	(70,383)	(64,923)	(3,348)	(20,030)
Listing expenses	–	–	–	(17,848)	(34,365)
Share of loss of an associate	(79,666)	(126,559)	(35,531)	–	–
Share of (loss)/profit of a joint venture	(989)	(541)	4	23	25
Finance costs	(903,487)	(1,082,592)	(1,097,485)	(732,443)	(309,825)
(Loss)/profit before tax	(774,465)	(1,359,504)	475,270	2,095,333	1,594,435
Income tax expense	(87,022)	(93,388)	(69,284)	(74,117)	(53,805)
(Loss)/profit for the year	(861,487)	(1,452,892)	405,986	2,021,216	1,540,630
(Loss)/profit for the year attributable to:					
Owners of the Company	(690,890)	(1,049,980)	414,771	1,558,016	1,340,735
Non-controlling interests	(170,597)	(402,912)	(8,785)	463,200	199,895
	(861,487)	(1,452,892)	405,986	2,021,216	1,540,630

	As of December 31,				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	43,656,667	46,199,728	43,446,317	31,961,639	22,200,943
Total liabilities	31,496,909	33,101,033	28,695,188	17,081,728	13,139,407
Total equity	12,159,758	13,098,695	14,751,129	14,879,911	9,061,536
Attributable to:					
Owners of the Company	11,295,246	11,830,718	13,063,746	13,180,911	7,820,208
Non-controlling interests	864,512	1,267,977	1,687,383	1,699,000	1,241,328

Definitions

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Articles of Association”	the fourth amended and restated memorandum and articles of association of the Company adopted on May 27, 2022 with effect from May 27, 2022, as amended from time to time
“AGM”	the annual general meeting of the Company to be held on Friday, May 23, 2025
“Audit Committee”	the audit committee of the Company
“Auditor”	Messrs. Deloitte Touche Tohmatsu
“Board” or “Board of Directors”	the board of Directors
“Bright Dairy”	the group of companies comprising Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“China” or the “PRC”	the People’s Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, 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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions”	has the meaning ascribed thereto under the Listing Rules
“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)



Definitions

“Dairy Products Purchase Framework Agreement”	the dairy products purchase framework agreement dated May 17, 2021 entered into between the Company and Yili
“Director(s)”	the director(s) of our Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Yili Finance Company on September 28, 2021
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRSs”	International Financial Reporting Standards
“Inner Mongolia Youran”	Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司), a company established under the laws of the PRC on August 1, 2007 and a subsidiary of the Company
“Junlebao Dairy”	the group of companies comprising Shijiazhuang Junlebao Dairy Co., Ltd. (石家莊君樂寶乳業有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“Jingang”	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
“Latest Practicable Date”	April 15, 2025, being the latest practicable date for ascertaining certain information in this annual report before its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	June 18, 2021, on which dealings in the Shares first commenced on the Stock Exchange
“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 set out in Appendix C3 to the Listing Rules

Definitions

“National Administration of Financial Regulation”	a comprehensive financial regulatory agency directly under the State Council, which is responsible for the supervision and management of banking, insurance, securities, funds, Internet finance and other fields
“Nomination Committee”	the nomination committee of the Company
“Non-IFRSs Measures”	non-IFRSs measures
“Period of 2022”	the year ended December 31, 2022
“Period of 2023”	the year ended December 31, 2023
“Purchase and Sale Framework Agreement”	the products and services purchase and sale framework agreement regarding comprehensive ruminant farming solutions entered by the Company and YouYuan Farm on November 28, 2022
“Prospectus”	the prospectus of the Company dated June 7, 2021
“Raw Milk Purchase and Sale Framework Agreement”	the raw milk purchase and sale framework agreement dated May 17, 2021 entered into between the Company and Yili
“Remuneration Committee”	the remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the year ended December 31, 2024
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shared Financial Services Framework Agreement”	the shared financial services framework agreement dated November 28, 2022 entered into between Yili and the Company in respect of the provision of accounting related shared financial services by Yili to the Group
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技術(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been a subsidiary of the Company since January 8, 2020
“SOP”	Standard Operation Procedure
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



Definitions

“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“TMR”	Total Mixed Ration
“TPM”	Total Productive Maintenance
“treasury share(s)”	has the meaning ascribed thereto under the Listing Rules which came into effect on June 11, 2024
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is our controlling shareholder
“Yili Finance Company”	Yili Finance Company Limited* (伊利財務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili
“Yili Group”	Yili and its subsidiaries and associates from time to time
“Youmu Investment Management”	Inner Mongolia Youmu Dairy Investment Management Co., Ltd. (內蒙古優牧奶業投資管理有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“YouYuan Farm”	Beijing YouYuan Farm Technology Corporation (北京優源牧業科技集團有限公司) (formerly known as ZhongDi Farm Technology Corporation (中地牧業科技集團有限公司)) and its subsidiaries and associates, a company established in April 2014 under the laws of PRC which is indirectly owned as to 72.84% by a wholly-owned subsidiary of Yili and as to 27.16% by the Company indirectly
“%”	per cent