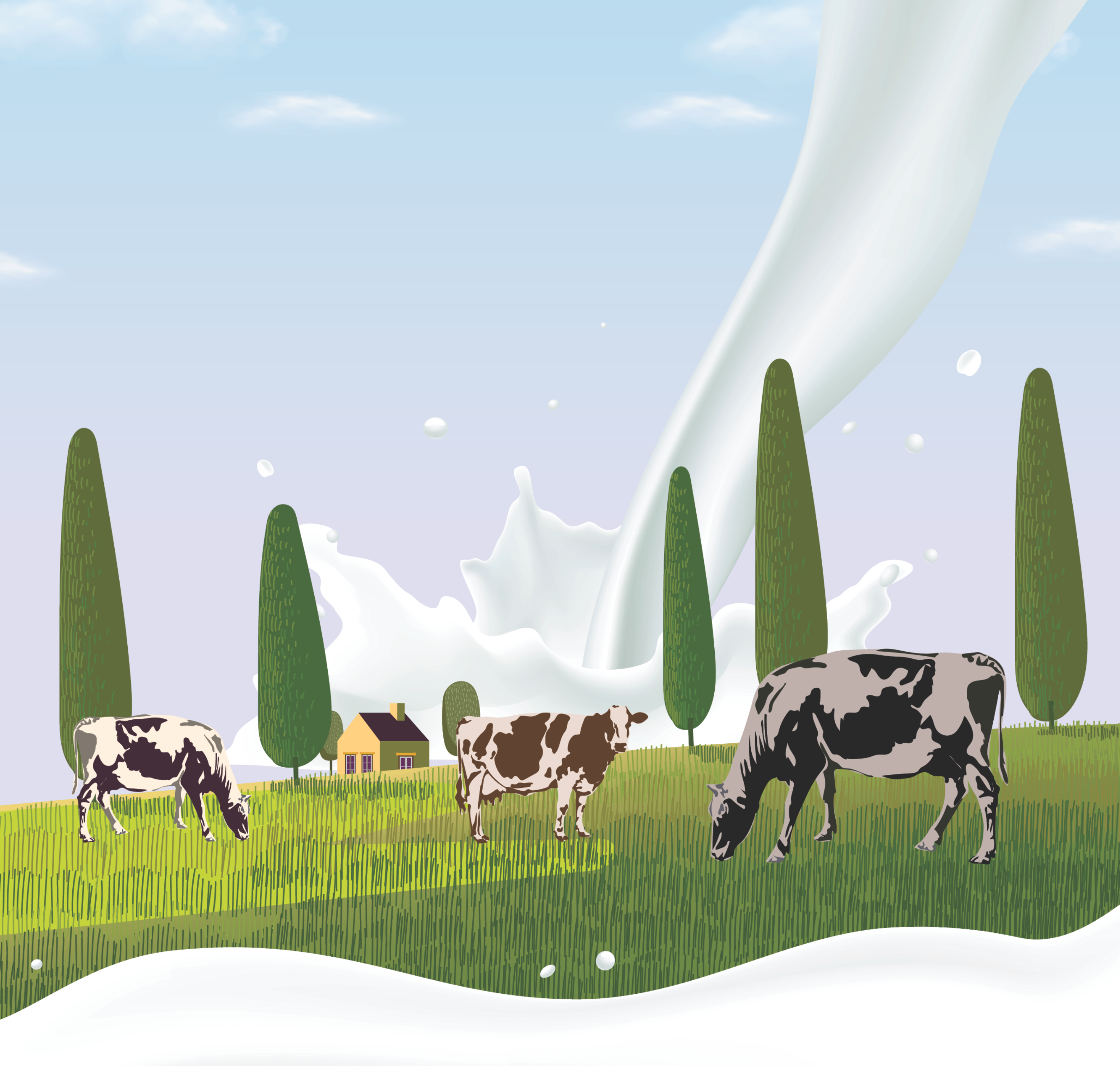
YuanShengTai Dairy Farm Limited
原生態牧業有限公司

(Incorporated in Bermuda with limited liability)

Stock Code：1431



2024 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Hongliang (趙洪亮) *(Chairman)* (resigned on 15 April 2025)
Mr. Zhang Yongjiu (張永久) *(Chairman and Chief Executive Officer)* (appointed as executive director and Chief Executive Officer on 23 February 2024 and appointed as Chairman on 15 April 2025)
Mr. Chen Xiangqing (陳祥慶) *(Chief Financial Officer)*
Mr. Liu Gang (劉剛)
Mr. Fu Wenguo (付文國) *(Chief Executive Officer)* (resigned on 23 February 2024)

Non-executive Directors

Mr. Leng Youbin (冷友斌)
Mr. Liu Hua (劉華)
Mr. Cai Fangliang (蔡方良)

Independent Non-executive Directors

Mr. Zhang Yuezhou (張月周)
Mr. Zhu Zhanbo (朱戰波)
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)
Ms. Liu Jinping (劉晉萍)

JOINT COMPANY SECRETARIES

Ms. Song Miao (宋淼)
Ms. Cheng Lucy (曾若詩)

AUTHORISED REPRESENTATIVES

Mr. Chen Xiangqing (陳祥慶)
Mr. Liu Gang (劉剛)

AUDIT COMMITTEE

Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗) *(Chairman)*
Mr. Zhang Yuezhou (張月周)
Mr. Zhu Zhanbo (朱戰波)
Ms. Liu Jinping (劉晉萍)

REMUNERATION COMMITTEE

Mr. Zhang Yuezhou (張月周) *(Chairman)*
Mr. Zhu Zhanbo (朱戰波)
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)
Mr. Zhang Yongjiu (張永久) (appointed on 15 April 2025)
Mr. Zhao Hongliang (趙洪亮) (ceased on 15 April 2025)

NOMINATION COMMITTEE

Mr. Zhu Zhanbo (朱戰波) *(Chairman)*
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)
Mr. Zhang Yuezhou (張月周)
Mr. Zhang Yongjiu (張永久) (appointed on 23 February 2024)
Mr. Fu Wenguo (付文國) (ceased on 23 February 2024)

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Development Bank of China
Industrial and Commercial Bank of China
Agricultural Bank of China
China Construction Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" OR "CHINA")

12/F, Gaoxinzhigu Building
787 Bukui South Street
Longsha District, Qiqihar
Heilongjiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

As to Hong Kong Laws

Loeb & Loeb LLP

As to PRC Laws

Jingtian & Gongcheng (北京市競天公誠律師事務所)

STOCK CODE

1431

BOARD LOTS

1,000 shares

COMPANY'S WEBSITES

www.ystdfarm.com
www.ystdairyfarm.com

Chairman's Statement

TO OUR SHAREHOLDERS,

I would like to present the annual results of YuanShengTai Dairy Farm Limited ("**YuanShengTai**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2024 (the "**Year**") to our shareholders. (the "**Shareholders**")

In 2024, the global economy sustained a recovery momentum, witnessing a rapid rebound in total trade and a moderation of inflation. Nonetheless, the world economic outlook became more uncertain, due to geopolitical tensions, escalating trade frictions and a burgeoning debt burden around the globe as well as other risk factors. The dairy industry in the People's Republic of China ("**China**" or "**PRC**") was suffering from drastic changes of the industry structure amid a complex and challenging external environment and subdued domestic demand. Nevertheless, China's dairy industry is gradually recovering, thanks to various favourable conditions, including frequent introduction of national policies for revitalizing the dairy sector, and ongoing technological innovation and iteration. According to the data released by the National Bureau of Statistics, China's total output of milk in 2024 amounted to 40.79 million tonnes, representing a year-on-year decrease of 2.8%, and overall dairy supply was effectively controlled.

Over the past year, the Group kept a close eye on the strategic development direction of the dairy industry and dairy seed industry in China, so as to follow the industry development trends. Adhering to a long-term perspective, the Group attached equal importance to both the expansion of farming scale and precise breeding, to ensure a consistent supply of premium raw milk. Meanwhile, our product mix was improved continuously to drive growth of overall sales. During the Year, the Group's total sales volume of raw cow milk increased by 23.2% to 566,704 tonnes from 459,950 tonnes in 2023, and revenue generated from sale of raw cow milk amounted to RMB2,550.0 million, representing an increase of 15.8% as compared with RMB2,201.9 million in 2023.

Since the full implementation of the "Action Plan for Improving the Competitiveness of Dairy Industry in the 14th Five-Year Plan Period" in 2020, China's dairy industry has made several milestone achievements, and entered a new era of transforming China from a big dairy producer to a country with a strong dairy industry. According to the "Research Report on China's Dairy Product Quality and Safety* (中國奶產品質量安全研究報告) (2024)", the sampling pass rate for national raw milk stood at 100%, with several nutritional and hygienic indicators comparable to those of developed countries. Meanwhile, according to the data released by China Customs, 2.3651 million tonnes of dairy products were imported into China in the first 11 months of 2024, representing a year-on-year decrease of 11.99%. This demonstrated that China's dairy industry has been recognized by consumers through high-quality development and the consumption potential for domestic dairy products was further freed up. In addition, seven governmental authorities in the PRC, including the Ministry of Agriculture and Rural Affairs and the National Development and Reform Commission, jointly issued the "Notice on Promoting the Stable Development of Beef and Dairy Cattle Production* (關於促進肉牛奶牛生產穩定發展的通知)", proposing relief measures to address supply-demand imbalances, such as fostering integrated development of dairy farming and processing, and boosting beef and milk consumption. Launch of a series of policies for "stabilizing production and promoting consumption" provided the dairy industry with an impetus for development.

Chairman's Statement

As a leading dairy animal farming company in the PRC, YuanShengTai actively embraced changes of domestic and international markets in the Year, and gave top priority to producing top-quality raw milk. The Group consistently strengthened the pivotal role of technological innovation, optimized operational efficiency where appropriate. At the same time, the Group diversified and expanded market sales channels, and fortified barriers to its core business, to lay a solid foundation for the Group's sustainable and comprehensive profitability.

Looking ahead to 2025, with frequent introduction of consumption-promoting policies and rising market consumption confidence, the imbalance between supply and demand is expected to moderate. However, due to the supply-side inventory backlog, prices of dairy products are expected to remain under downside pressure for a period of time. YuanShengTai Dairy will embrace policy trends proactively, adhere to its strategy of being dedicated to the dairy industry, and strengthen the Group's competitive edge in core business. While continually building up its resource strengths, the Group will persist in optimizing its production management effectiveness, and upgrading the quality of China's dairy industry. We will firmly seize growth opportunities emerging in the dairy industry, and strive to make progress in a prudent and proactive manner, contributing to China's dairy industry revitalization and accelerating the construction of a modern industrial system.

On behalf of the Board, I would like to thank all our Shareholders for their ever-persistent trust in and support of the Group. I also express my heart-felt gratitude to the Board, the management team and our staff for their diligent efforts and valuable contribution in the past year. In 2025, the Group will hold on to our purpose of producing best quality raw milk for consumers, grasp the favourable policies and move ahead prudently, so as to reward Shareholders and investors with outstanding results for their favor of the Group.

Zhao Hongliang
Chairman
Hong Kong, 28 March 2025

MARKET REVIEW

Looking back on 2024, the overall global economy performed robustly. According to the forecast of the International Monetary Fund ("**IMF**"), the global economy is expected to achieve 3.2% growth in 2024. This signifies a soft landing for the global economy amidst high inflation. However, from a long-term perspective, the driving force behind global economic growth remains insufficient. The IMF predicts that, due to structural problems, such as slow productivity growth and aging population, the global economic growth rate will hover around 3.1% over the next five years, slightly lower than the average level prior to the COVID-19 pandemic. China's national economy was generally stable and progressing steadily. According to the data released by the National Bureau of Statistics in early 2025, the annual gross domestic product amounts to RMB134,908.4 billion, representing an increase of 5.0% over the previous year at constant prices.

Regarding the industry, China's dairy industry is still in transformation and adjustment phase. After industrial adjustment and optimization in recent years, dairy enterprises proactively adjusted their production plans, and were relieved of development pressure. But certain challenges still remain for the overall market. Regarding the output, production volume of dairy products in China began to decline since 2023, and a year-on-year decrease of 4.11% was recorded for the period from January to October 2024. However, due to the outstanding issues such as the structural surplus and the supply and demand imbalance, prices of raw milk have not gone up, exposing dairy enterprises to profit squeeze, or potentially hindering their future development.

As one of the leading dairy farming companies in the PRC, the Group will continue to actively adjust its production and operation plans in line with changes of market demand, timely adjust herd size, improve breeding and production technologies, reduce costs and increase efficiency, so as to achieve better economies of scale. YuanShengTai will adhere to producing high-quality raw milk as its fundamental development goal, continuously providing the society with more and better products, and commit to providing a solid quality guarantee for the nutrition of dairy products consumed by every citizen.

BUSINESS REVIEW

In terms of herd size and production volume, YuanShengTai is one of the leading dairy farming companies in the PRC. During the Year, the Group's total sales of raw cow milk increased by 23.2% to 566,704 tonnes from 459,950 tonnes in 2023. The sales volume of raw goat milk reached 306 tonnes for the Year, representing a decrease of 67.2% as compared with 932 tonnes in 2023. Total revenue from raw milk sales amounted to RMB2,552 million, representing an increase of 15.5% as compared to the same period of 2023. During the Year, given weak demand for raw milk and the continuous decline in the average selling prices of raw milk, the Group actively adjusted its business strategies, improved quality and increased efficiency. The Group recorded a net profit of RMB296.7 million for the Year.

Since the inception of business, the Group has built a stable and long-lasting cooperative relationship with China's leading dairy manufacturers, and actively sought opportunities to build other high-quality partnerships. In 2024, the Group's major customers were Feihe Dairy Group and Yili Group, the revenue from whom account for 94.0% and 4.7% of the Group's total revenue, respectively, and in aggregate accounting for approximately 98.7% of the Group's total revenue. In 2024, due to dynamic changes of the supply and demand in the dairy consumption market, dairy enterprises were under greater business pressure. The above customers are leading dairy manufacturers in China, with a dominant market share and rich and diverse product matrix, which has a positive impact on the sustainable development of the Group's business. In the future, the Group expects to continue to supply high quality raw milk products to these two major customers on a long-term basis, and be committed to providing raw milk with the highest safety and nutritional standards in China. We will further consolidate the Group's customer base in line with the rising demand for high-end raw milk in China.

Construction of Farms

As of 31 December 2024, we had ten farms in Heilongjiang Province and one farm in Jilin Province, respectively. Each farm has an actual capacity ranging from 1,960 to 30,000 dairy cows, and the total site area of the 11 dairy cow farms amounts to approximately 9,694,458 square metres.

	Actual Designed Capacity	Actual Inventory Number	Area
	(Number of Cows/Head)		*(m^2)*
Gannan Farm	12,000	10,921	986,333
Kedong Heping Farm	6,000	5,915	384,000
Kedong Ruixinda Farm	18,000	10,225	784,000
Kedong Yongjin Farm	12,000	8,421	714,000
Zhenlai Farm	30,000	25,309	2,066,667
Baiquan Farm	15,000	3,742	994,000
Keshan Farm	12,000	10,221	980,000
Longjiang Ruixincheng Farm	1,960	1,431	84,300
Longjiang Jinyuan Farm	12,000	11,938	798,400
Yi'an Farm	15,000	11,292	857,713
Bei'an Farm	10,000	7,881	1,045,045
Total	143,960	107,296	9,694,458

Milk Yield

During the Year, the average annual milk yield per cow was 12.7 tonnes, representing a significant increase of 9.5% as compared to 11.6 tonnes in the same period of 2023. The Group continuously adjusted and improved the operation and management mode of farms, upgraded and optimized the herd mix and enhanced the feeding formula. The average milk yield of the Group's herds is expected to maintain a stable level. In the future, the Group will continue to improve the digital breading and management, closely follow the changes in market demand, adjust the management and layout of farms in a timely manner, and improve the profitability of the Group.

Size of Our Herds

Driven by the delicacy management model of our farms, the number of dairy cows on the Group's farms steadily increased from 102,497 heads as of 31 December 2023 to 107,296 heads as of 31 December 2024. The total number of inventory cows increased by 4.7% as compared with the same period of last year. Among them, the total number of matured milkable cows increased from 39,861 heads as of 31 December 2023 to 49,330 heads as of 31 December 2024, representing an increase of 23.8% as compared with the same period of last year. The number of heifers and calves decreased to 57,966 heads, representing a decrease of 7.5% as compared with the same period of last year. In the future, the Group will actively adjust the number of inventory cows, continue to maintain the per cow yield level of matured milkable cows and steadily increase the milk yield, so as to continuously deliver solid earnings for the Group.

	31 December 2024	31 December 2023
Number of matured milkable cows	**49,330**	39,861
Number of heifers and calves	**57,966**	62,636
Total number of cows	**107,296**	102,497

Price of Raw Cow Milk

The domestic dairy farming industry continuously adjusted the scale of their farms to aggressively reduce the dairy cow capacity. There was a weak rebound of market demand for dairy products which was followed by a subsequent decline. Coupled with a seasonal increase in milk yield of cows, the supply and demand have not yet reached an expected balance. Thus, prices of raw cow milk did not rise. During the Year, the Group's average selling price of raw cow milk was RMB4,500 per tonne, representing a decrease of 6.0% as compared to RMB4,787 per tonne in the same period of last year.

OUTLOOK

The dairy industry plays a crucial role in China's economic development. As an important branch of the food industry, dairy products not only provide a diverse nutritious source for people's daily diet, but also have a profound impact on agriculture, animal husbandry, industry and other fields. The development of the dairy industry is directly related to the improvement of national health standards, the optimization of agricultural structures and the modernization process of the food industry. Currently, China's dairy farming industry is at a critical development stage, characteristic of opportunities and challenges for the industry. With the rise of people's living standard and the enhanced health awareness, dairy product consumption is expected to increase year by year, further unleashing market demand potential and improving the business environment for enterprises.

To address the current structural imbalance of supply and demand in the dairy market, the Chinese government has successively introduced several strategic support policies. Five governmental authorities in the PRC, including the National Development and Reform Commission and the Ministry of Agriculture and Rural Affairs, jointly issued "Measures to Create New Consumption Scenarios and Cultivate New Growth Points for Consumption* (關於打造消費新場景培育消費新增長點的措施)", expounding plans to accelerate the formulation of relevant standards related to the dairy industry, standardize the labelling of reconstituted milk and encourage the use of raw milk to produce liquid milk. This policy will contribute to higher quality standards of the dairy industry as a whole, enhance consumers' trust in dairy products, promote healthy development of the market, and further tap into the potential of the dairy market. In addition, the current product offerings of China's dairy market are less diversified, and the industry's supply is dominated by liquid milk. With the gradual adjustment of the dairy product structure and the increasing diversification of products in the future, an increasingly rich choice of dairy products will be available, market demand will grow steadily and the industry is expected to usher in a turnaround.

Looking ahead, the Group will continue to dedicate to the dairy animal farming, continuously monitor the development trends of China's dairy industry and dairy cattle breeding industry, and adjust the Group's strategic development direction in a timely manner. The Group will fully leverage on its technical and resource advantages, continuously optimize production and operation plans, actively apply digital technologies, such as big data and artificial intelligence to achieve delicacy and intelligent management of the breeding process, optimize feed formulas, improve feed conversion ratio, thereby reducing comprehensive breeding costs. At the same time, the Group will actively fulfil its social responsibilities, deeply integrate the green development concept with its daily management to create eco-friendly farms, and promote sustainable development of the industry. We believe that the Group will continue to maintain its leading position in China's dairy farming industry, continuously contribute to the prosperity and development of the industry, and provide consumers with safer and more nutritious dairy products of higher quality.

Our Revenue

During the Year, our total sales of raw milk produced increased by 15.5% from RMB2,208.6 million for the year ended 31 December 2023 to RMB2,551.9 million. The sales volume of raw cow milk reached 566,704 tonnes for the Year, representing an increase of 23.2% as compared with 459,950 tonnes in 2023. The sales volume of raw goat milk reached 306 tonnes for the Year, representing a decrease of 67.2% as compared with 932 tonnes in 2023. The growth in sales volume of raw cow milk was primarily attributable to the increases in (i) herd size of matured milkable cows; and (ii) average annual milk yield per cow. Our average selling price of raw cow milk was RMB4,500 per tonne for the Year, representing a decrease of 6.0% as compared with RMB4,787 per tonne in 2023 and our average selling price of raw goat milk was RMB6,246 per tonne for the Year, representing a decrease of 12.6% as compared with RMB7,149 per tonne in 2023.

Cost of Sales

Our cost of sales for the Year was RMB1,607.3 million. The table below summarizes the components of our cost of sales by nature:

	2024 RMB'000	2023 RMB'000
Cost of sales		
Feed	**1,161,055**	1,195,214
Salary, welfare and social insurance	**135,726**	120,177
Depreciation	**106,722**	95,168
Veterinary cost	**51,432**	59,669
Utility	**100,591**	97,146
Transportation expenses	**7,635**	5,351
Other costs	**44,183**	45,117
Cost of sales, total	**1,607,344**	1,617,842

Feed costs represent the cost of feed consumed by our milkable cows and goats. The feed costs for milkable cows and milkable goats were RMB1,161.1 million and RMB1,195.2 million for the years ended 31 December 2024 and 2023, respectively, representing 72.2% and 73.9% of the cost of sales for the respective financial years. The decrease in our feed costs was primarily attributable to the decrease in the price of hay feed.

Gross Profit

Given the above factors, the gross profit increased to RMB944.6 million for the Year (2023: RMB590.7 million), representing an increase of 59.9% as compared with that for 2023. Our gross profit margin increased from 26.7% in 2023 to 37.0% in 2024.

Other Income and Gains

Other income and gains for the Year amounted to RMB158.7 million (2023: RMB144.0 million), representing an increase of 10.2%. The increase in other income and gains was attributable to the increases in (i) interest income; (ii) government subsidies; and (iii) a gain on disposal of a subsidiary.

Administrative Expenses

We incurred administrative expenses of RMB115.1 million for the Year (2023: RMB139.3 million), representing a decrease of approximately 17.4% as compared with 2023. The decrease was primarily attributable to the decrease in repairs and maintenance expenses.

Other Expenses

Other expenses for the Year amounted to RMB38.0 million (2023: RMB57.1 million), representing a decrease of approximately 33.5%. The decrease in other expenses was attributable to the decrease in expenses on land sub-lease incurred by Yi'an Farm upon the termination of leases.

Changes in Fair Value Less Costs to Sell of Biological Assets

Changes in fair value less costs to sell of biological assets was a loss of RMB614.5 million for the Year as compared with a loss of RMB750.3 million for 2023. The decrease in loss was attributable to the increase in number of dairy cows.

Impairment Losses on Property, Plant and Equipment and Right-of-Use Assets

During the Year, no impairment loss (2023: RMB89.8 million) was recognized for property, plant and equipment and right-of-use assets.

Profit for the Year of the Group

Taking into account all of the above factors, the Group's net profit was RMB296.7 million for the Year, as compared with a net loss of RMB339.7 million for the year ended 31 December 2023. Basic earnings per share was approximately RMB6.32 cents for the Year, as compared with basic loss per share of RMB7.24 cents for the year 2023.

FINAL DIVIDEND

The board (the "**Board**") of directors (the "**Directors**") of the Company has resolved not to recommend the payment of a final dividend for the Year (2023: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

For the Year, the Group's net cash inflow from operating activities amounted to RMB1,013.8 million, as compared with RMB745.3 million in 2023. As at 31 December 2024, the Group had cash and cash equivalents of RMB637.6 million (31 December 2023: RMB959.1 million). Save for cash and cash equivalents equivalent to RMB204.0 million which were denominated in the United States dollars ("**USD**"), and RMB2.1 million which were denominated in Hong Kong dollars ("**HKD**"), the Group's remaining cash and cash equivalents were denominated in RMB.

The Group had interest-bearing bank borrowings of RMB884.3 million as at 31 December 2024 (31 December 2023: RMB1,347.7 million) which was denominated in RMB. The annual interest rate of the bank borrowings as at 31 December 2024 ranged from 2.90% to 3.85% (31 December 2023: ranged from 2.90% to 3.85%). The gearing ratio (calculated by dividing net debt by the equity attributable to owners of the parent plus net debt) was 11.3% (31 December 2023: 18.7%). Net debt includes interest-bearing bank borrowings, trade and bills payables, and certain other payables and accruals, less cash and cash equivalents and time deposits.

CAPITAL STRUCTURE

As at 31 December 2024, the Company's issued share capital was HK$46,904,964 divided into 4,690,496,400 shares of HK$0.01 each (the "**Shares**") (31 December 2023: HK$46,904,964 divided into 4,690,496,400 Shares of HK$0.01 each). The Company did not issue any new Shares during the Year.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the Year, the principal capital expenditures of the Group were related to construction of new farms and major maintenance and acquisition of additional equipment for its existing dairy farms.

As part of the future strategy of the Group, the Group's planned capital expenditures for its business operations will be primarily related to the construction and commencement of operations of its new dairy farms. The Group anticipates that its capital expenditures will be financed by cash generated from its operations, debt financing or bank loans and the unutilized net proceeds from the issue of new Shares under the global offering as set out in the prospectus of the Company dated 14 November 2013 (the "**Prospectus**").

Save as disclosed above and in the Prospectus, there were no significant investments held as at 31 December 2024 nor were there other plans for material investments on capital assets as at the date of this annual report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (THE "IPO")

The issued Shares were initially listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 November 2013. Gross proceeds raised from the IPO in such connection amounted to approximately HK$3,298.0 million, and the net proceeds (after deduction of listing expenses and underwriting commissions, and excluding offer proceeds which were payable to selling shareholders of the Company (the "**Shareholders**") (i.e. not receivable by the Company)) amounted to approximately HK$2,564.0 million. The net proceeds were spent broadly in accordance with the Company's plan as disclosed in the Prospectus.

The table below sets out the planned applications of the net proceeds from the IPO and the actual usage:

	Planned use of net proceeds from the IPO (as stated in the Prospectus) *HK$ million*	Actual use of net proceeds from the IPO up to 31 December 2024 *HK$ million*	Actual use of net proceeds from the IPO during the Year *HK$ million*	Unused net proceeds from the IPO as at 31 December 2024 *HK$ million*
Construction of new farms	1,923.0	1,923.0	–	–
Developing upstream operations	384.6	36.8	–	347.8
Working capital and general corporate purpose	256.4	256.4	–	–
Total	2,564.0	2,216.2	–	347.8

The unused net proceeds, being approximately HK$347.8 million, are expected to be used in accordance with the Company's plan as disclosed in the Prospectus (i.e. to develop upstream operations) by end of 2024. As the Board is still observing the market conditions which are slowly recovering after the COVID-19 Pandemic, the expected timeline for unused net proceeds in respect of developing upstream operations will be further delayed to the end of 2025. A detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

The Board will continuously evaluate the Group's business strategies and change or modify the plan in line with market conditions, to support business growth of the Group.

MATERIAL DISPOSAL OF A SUBSIDIARY

On 12 June 2024, Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), a wholly-owned subsidiary of the Company (the "**Vendor**") and Shaanxi Xianghe Biology Science and Technology Co., Ltd.* (陝西翔和生物科技有限公司) (the "**Purchaser**") entered into an equity transfer agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire equity interest in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd.* (陝西瑞祥誠達牧業有限公司), a then wholly-owned subsidiary of the Company (the "**Target Company**"), at a consideration of RMB50.2 million in cash.

Following the completion of the said disposal on 30 June 2024, the Vendor ceased to have any interest in the Target Company and the Target Company ceased to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 12 June 2024.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

PLEDGE OF ASSETS

As at 31 December 2024 and 31 December 2023, certain of the Group's bank loans had been secured by the pledge of the Group's assets.

FOREIGN EXCHANGE EXPOSURE

Certain assets of the Group are denominated in foreign currencies, such as the USD and HKD. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

CAPITAL COMMITMENT AND CONTINGENCIES

Capital commitment of the Group as at 31 December 2024 and 2023 were RMB10.8 million and RMB75.5 million, respectively, which were for construction of our new farms and renewal of existing facilities.

The Group did not have any significant contingent liabilities as at 31 December 2024 (2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 2,375 employees (2023: 2,389 employees), of whom one was located in Hong Kong and all the others were located in the PRC. The remuneration and staff cost for the Year was RMB298.5 million (2023: RMB285.0 million).

The salaries of the Group's employees largely depend on their type and level of work as well as length of service with the Group. They receive social welfare benefits and other benefits, including social insurance. As required by the PRC regulations on social insurance, the Group participates in the social insurance schemes operated by the relevant local government authorities, which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance. In addition, the Group has opened its housing funds accounts and started to make contributions to housing funds since April 2013. The Group also provides and arranges on-the-job training for the employees.

The Directors and senior management of the Company receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of the Group. The Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to its operations. The Company regularly reviews and determines the remuneration and compensation packages of the Directors and senior management.

Further, the remuneration committee of the Board reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and senior management by reference to their time commitment and responsibilities, the salaries paid by comparable companies and the performance of the Group.

EVENT AFTER REPORTING YEAR

The Group did not have any material subsequent event after the Year and up to the date of this annual report.

EXECUTIVE DIRECTORS (THE "EDs")

Mr. Zhao Hongliang (趙洪亮)

Mr. Zhao, aged 58, was appointed as an ED and the chairman of the Group on 4 May 2012. He is primarily responsible for the overall strategic development of the Group. He is also a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Mr. Zhao completed his high school education in the People's Republic of China (the "**PRC**") in July 1983.

Mr. Zhao is the founder of the Group. He has past experience in raising dairy cows and cattle management in Heilongjiang Province, the PRC. In 1995, he started to invest in various sectors in the PRC including real properties, trading of construction materials and mining. Simultaneously, he had been all along paying close attention to the dairy farming industry in the PRC. In 2008, he was awarded as one of the "Outstanding Private Entrepreneurs* (優秀民營企業家), and in the following year, he was awarded as one of "Top Ten Outstanding Young Entrepreneurs of the Farming District of Heilongjiang" (黑龍江墾區十大傑出青年企業家). Mr. Zhao has accumulated substantial experience in making investments in the PRC and has maintained a sound financial capability.

In 2008, Mr. Zhao invested in the dairy farming industry in the PRC and as a result, the Company's first operating entity, namely Heilongjiang Kedong Ruixinda YuanShengTai Dairy Farming Joint Stock Co., Ltd.* (黑龍江克東瑞信達原生態牧業股份有限公司), was established in September 2008.

Mr. Zhao is a director and the sole shareholder of a then controlling shareholder (as defined under the Rules Governing the Listing of Securities on the Stock Exchange) of the Company. Mr. Zhao is a director of each of the following subsidiaries of our Company: Royal Dairy Farm Limited ("**Royal Dairy Farm**") and Natural Dairy Farm Limited ("**Natural Dairy Farm**").

Mr. Zhang Yongjiu (張永久)

Mr. Zhang, aged 51, was appointed as an ED, the chief executive officer (the "**CEO**") and a member of the nomination committee of the Board ("**Nomination Committee**") on 23 February 2024. He was the vice president of Heilongjiang Feihe Dairy Co., Ltd.* (黑龍江飛鶴乳業有限公司) ("**Feihe HLJ**"), a wholly-owned subsidiary of China Feihe Limited whose shares are listed on the Stock Exchange (Stock Code: 6186) ("**Feihe**", together with its subsidiaries, "**Feihe Group**"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**"), prior to his appointment as an ED and the CEO. Mr. Zhang joined the Feihe Group in February 2006 and managed various departments, including production division, production division in Canada, construction and engineering, research and development, supply chain centre, quality centre and legal departments.

Mr. Zhang graduated from the Heilongjiang College of Commerce (黑龍江商學院) with a bachelor's degree in freezing and refrigerating engineering in July 1996. He is a qualified engineer in dairy process (乳品加工) awarded by the Personnel Department of Heilongjiang Province* (黑龍江省人事廳) (currently known as the Department of Human Research and Social Security of Heilongjiang Province* (黑龍江人力資源和社會保障廳)) in September 2001. Mr. Zhang obtained the Certificate of Advanced Management Professionalism (高級職業經理資質證書) in February 2006 from the Research Center for Professional Managers of China National Center for Human Resources (人事部全國人才流動中心職業經理研究中心).

Biographical Details of Directors and Senior Management

Mr. Chen Xiangqing (陳祥慶)

Mr. Chen, aged 52, was appointed as an ED and the chief financial officer of the Group on 10 September 2015. Mr. Chen was employed by Feihe HLJ from April 2003 to June 2012, and had assumed various offices, including the accounts manager, finance manager and internal control manager, respectively.

Mr. Chen graduated from the Heilongjiang Bayi Agricultural University* (黑龍江八一農墾大學) in July 1996, majoring in agricultural economy management. He is a holder of the certificate of accounting professional in the PRC. He has been accredited as a certified internal auditor by The Institute of Internal Auditors since November 2010.

Mr. Chen joined the Group in December 2012 as the head of finance department of the Group, in which he was responsible for overseeing the financial and auditing matters of the Group. Mr. Chen is a director of each of the following subsidiaries of our Company: Royal Dairy Farm and Natural Dairy Farm. Mr. Chen has 17 years' working experience in the domestic raw milk industry of the PRC.

Mr. Liu Gang (劉剛)

Mr. Liu, aged 51, was appointed as an ED on 25 June 2018. Mr. Liu joined the Group in January 2012 and was appointed as one of the Company's joint company secretaries and authorised representatives of the Company on 7 November 2013 and subsequently appointed as the Company's sole company secretary (the "**Company Secretary**") on 5 April 2017. Following his appointment as an ED on 25 June 2018, he resigned as the Company Secretary on the same date. Prior to joining our Group, Mr. Liu had accumulated more than 8 years of experience in the investment sector. Mr. Liu was awarded a bachelor's degree in automation, majoring in measuring and control technology and instrumentations, by the Yanshan University* (燕山大學) in the PRC in July 1999. Mr. Liu is a younger brother of Mr. Liu Hua, a non-executive Director.

Mr. Liu is a director of each of the following subsidiaries of our Company: Royal Dairy Farm, Natural Dairy Farm, Harbin Ruixinda Dairy Farming Co., Ltd.* (哈爾濱市瑞信達牧業有限公司), Harbin Ruixincheng Trading Co., Ltd.* (哈爾濱市瑞信誠商貿有限公司), Kedong Ruixinda Commercial Trade Co., Ltd.* (克東瑞信達商貿有限公司), Heilongjiang Ruihongcheng Commercial Trade Co., Ltd.* (黑龍江瑞弘誠商貿有限公司) and Heilongjiang Ruibenda Dairy Farming Co., Ltd.* (黑龍江瑞犇達牧業有限公司).

NON-EXECUTIVE DIRECTORS (THE "NEDs")

Mr. Leng Youbin (冷友斌)

Mr. Leng, aged 56, was appointed as a NED on 3 December 2020. He is an executive director, the chairman of the board and the chief executive officer of Feihe, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has over 30 years of experiences in the dairy industry. Mr. Leng has been a director, the chairman of the board and the chief executive officer of Feihe since January 2013, and was re-designated as an executive director in April 2017. Mr. Leng has been a director of Vitamin World USA Corporation ("**Vitamin World USA**") since December 2017 and has been the executive director of Feihe (Gannan) Dairy Products Co., Ltd. (飛鶴(甘南)乳品有限公司) since March 2006. He has served as director of Feihe HLJ since August 1996, during which he concurrently served as the general manager of Feihe HLJ from August 1996 to March 2020 and deputy head of Zhaoguang Farm (趙光農場) from December 1999 to December 2001. Before that, he worked in Heilongjiang Province Zhaoguang Dairy Plant (黑龍江省趙光乳品廠) from March 1987 to May 1993. Mr. Leng has received various honors and awards. He was successively awarded as one of the "Top Ten Technology Figures of Dairy Industry in China" (中國乳品加工業十大傑出科技人物), "Outstanding Entrepreneur" (傑出企業家) and "Outstanding Leaders of National Light Industry Enterprise Informatization" (全國輕工業企業信息化優秀領導) in the dairy industry in China. He was also awarded the "National May 1st Labor Medal" (全國五一勞動獎章) in 2012, "National Labor Model" (全國勞動模範) in 2015, "Person of the Year 2018 of Chinese Economy" (2018中國經濟年度人物), "Dedication Award of National Poverty Alleviation Award" (全國脫貧攻堅獎奉獻獎) in 2018, one of the "Innovative Talents of Ministry of Science and Technology of the Year 2018" (2018年科技部創新人才), one of the "Hundred Outstanding Private Entrepreneurs during Forty Years since Reform and Opening up" (改革開放40年百名傑出民營企業家), "The Fifth Excellent Constructor of Socialism with Chinese Characteristics from Non– public Sector" (第五屆全國非公有制經濟人士優秀中國特色社會主義事業建設者) and other awards. Mr. Leng was selected into the fourth batch of the national "Ten Thousand Talents Plan" (萬人計劃), and was awarded with government special allowance issued by the State Council of the PRC. He was awarded the "Commemorative Medals Celebrating the 70th Anniversary of the Founding of the PRC" (慶祝中華人民共和國成立70周年紀念章) issued by the Central Committee of the Communist Party of China, the State Council and the Central Military Commission, "Advanced Individuals Nationwide in Fighting the Coronavirus Pneumonia Epidemic" 全國抗擊新冠肺炎疫情先進個人), "The Sixth National Outstanding Professional Technology Figures", the "Integrity Star" 星) in 2020 jointly issued by the Propaganda Department of the Central Committee of the Communist Party of China and the National Development and Reform Commission. Mr. Leng is a representative of the National People's Congress of the thirteenth session and fourteenth session. Mr. Leng currently serves as the vice chairman of the All-China Federation of Industry and Commerce (Non-governmental Commerce Chamber of China) (中華全國工商業聯合會(中國民間商會)) and the vice chairman of the Federation of Industry and Commerce of Heilongjiang Province (黑龍江省工商業聯合會).

He graduated from Northeast Agricultural University (東北農業大學) in Heilongjiang, China in July 1995 through correspondence course, and obtained an executive master of business administration ("**EMBA**") degree from the School of Economics of Peking University (北京大學經濟學院) in Beijing, China in July 2002 and an EMBA degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in Beijing, China in July 2007. Mr. Leng is a dairy engineer certified by the Personnel Bureau of Heilongjiang (黑龍江省人事廳) in September 1999.

Mr. Liu Hua (劉華)

Mr. Liu, aged 53, was appointed as a NED on 3 December 2020. He is an executive director, the vice chairman of the board and the chief financial officer of Feihe, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He joined Feihe HLJ in November 2000 and has been the chief financial officer of Feihe HLJ since then. He has been a director, the vice chairman of the board and the chief financial officer of Feihe since June 2013, and was re-designated as an executive director in April 2017. Mr. Liu has been a director of Vitamin World USA since December 2017. Mr. Liu has been involved in the financing activities of the Feihe Group, including the quotation of Flying Crane U.S. on the OTCBB in 2003, the listing of Flying Crane U.S. on the NYSE in 2009, and the listing of Feihe on the Stock Exchange in 2019.

Mr. Liu received an EMBA degree in finance from the Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學高級金融學院) in Shanghai, China in December 2015. Mr. Liu is an elder brother of Mr. Liu Gang, an ED.

Mr. Cai Fangliang (蔡方良)

Mr. Cai, aged 56, was appointed as a NED on 3 December 2020. He is an executive director and the president of Feihe, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He joined Feihe HLJ in November 2010 and has been the president of Feihe HLJ since then. He has been a director and the president of the Feihe since June 2013, and was re-designated as an executive director in April 2017. He has been a director of Vitamin World USA since December 2017. Mr. Cai has focused on the marketing management of the Feihe Group and the overall management and business development of Feihe. Before joining the Feihe Group, Mr. Cai worked at Jiangxi Meilu Dairy Co., Ltd. (江西美廬乳業有限公司) from December 2008 to October 2010. Before that, Mr. Cai worked at Yashili Group Co., Ltd. (廣東雅士利集團有限公司).

INDEPENDENT NON-EXECUTIVE DIRECTORS (THE "INEDs")

Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗)

Mr. Meng, aged 47, was appointed as an INED on 28 September 2018. He is the chairman of the audit committee of the Board (the "**Audit Committee**") and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Meng was awarded a bachelor's degree in Economics, majoring in business administration, and a bachelor's degree in Accounting by the Beijing Technology and Business University* (北京工商大學) in June 2001 and May 2001, respectively.

Mr. Meng has served as an independent director of TDH HOLDINGS, INC., a company listed on NASDAQ (stock symbol: PETZ), since January 2019. From September 2014 to July 2021, Mr. Meng served as an independent director of China Customer Relations Centers Inc., a company which was then listed on NASDAQ (stock symbol: CCRC). From January 2022 to January 2025, Mr. Meng served as an independent director of Taiying Technology Group Co., Ltd.. Since 2013, Mr. Meng has served as a partner of an accounting firm registered with PCAOB in the United States. From 2013 through 2020, Mr. Meng was the managing director of Beijing Songlin Xinya Financial Consultants, Ltd. From 2007 through 2013, Mr. Meng served as chief representative of Sherb Consulting LLC Beijing Representative Office, and managing director of Sherb & Co, LLP. From 2003 through 2006, Mr. Meng worked as an audit manager in the Beijing office of Grant Thornton. Mr. Meng is a member of The Chinese Institute of Certified Public Accountants (CICPA) and holds a C.P.A. Permit from the State of Delaware in the United States of America, and a Certified Internal Auditor (CIA) of The Institute of Internal Auditors.

Mr. Zhang Yuezhou (張月周)

Mr. Zhang, aged 61, was appointed as an INED on 7 November 2013. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Currently, Mr. Zhang is engaged in the provision of dairy farm management consultancy services in the PRC. Mr. Zhang obtained a bachelor's degree in agriculture from Gansu Agricultural University in July 1987 and a master's degree in Agricultural Promotion from Nanjing Agricultural University in 2006. Mr. Zhang obtained the qualification of an animal husbandry expert in the PRC in May 1995. Mr. Zhang has over 30 years of experience in the dairy products industry and since March 2010, he has been the general manager of Shanghai Yuanfan Farming Technology Co. Ltd.* (上海源凡牧業科技有限公司), responsible for overseeing its overall operations.

Mr. Zhu Zhanbo (朱戰波)

Mr. Zhu, aged 55, was appointed as an INED on 7 November 2013. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Zhu has over 30 years' experience in teaching and scientific research. He obtained a bachelor's degree in veterinary science from the Heilongjiang Bayi Agricultural University (黑龍江八一農墾大學) in July 1993 and a master's degree from the Department of Animal Science and Technology of the same university in July 2004. He further obtained a doctorate's degree from the Jilin University (吉林大學) in July 2012.

By profession, he is a university professor. Mr. Zhu started teaching full-time at the Heilongjiang Bayi Agricultural University (黑龍江八一農墾大學) since July 1993.

Ms. Liu Jinping (劉晉萍)

Ms. Liu, aged 53, was appointed as an INED on 3 December 2020. She is a member of the Audit Committee. Ms. Liu is currently an independent non-executive director of Feihe, a substantial shareholder of the Company within the meaning of Part XV of the SFO and a deputy director of the Center of Extracorporeal Circulation and the director of the Department of Pediatric Extracorporeal Circulation of Fu Wai Hospital (阜外醫院). She has been a chief physician of the Department of Extracorporeal Circulation in anesthesiology of Fu Wai Hospital since September 2012. Before that, she served in several positions in the Department of Extracorporeal Circulation of Fu Wai Hospital, including an associate chief physician from September 2006 to September 2012, an attending physician from August 2001 to August 2005, and a resident physician from August 1995 to August 2001.

Ms. Liu received a bachelor's degree in medical science from Harbin Medical University (哈爾濱醫科大學) in Heilongjiang, China in September 1995, and a master's degree and then a doctorate degree in anesthesia from the Peking Union Medical College (北京協和醫學院) in Beijing, China in September 2002 and 2014, respectively. She was admitted as a practicing physician in May 1999, and was certified as a physician and chief physician in November 2002 and July 2011, respectively, by the Ministry of Health of the PRC.

SENIOR MANAGEMENT

In addition to Mr. Zhao Hongliang, Mr. Zhang Yongjiu, Mr. Chen Xiangqing and Mr. Liu Gang, all being EDs, the following individual is also a member of the senior management of the Group:

Mr. Wang Yongxin (王永信)

Mr. Wang, aged 47, is the deputy general manager of the Group. Currently, he is primarily responsible for the health care of cattle of the Group's farms and production and operations management of the Group. He is currently a director of YST Heilongjiang. He graduated from the Southwest Agricultural University* (西南農業大學) in veterinarian science in 2001. He also obtained a certificate of middle-level veterinary in 2006.

Mr. Wang joined the Group in December 2009 and was then in charge of the supervision and overall management of the Company's Kedong YST Farm. Mr. Wang has over 16 years of experience in the dairy farming industry. During his employment with the Group, Mr. Wang has assumed the following offices and has been in charge of the functions mentioned below:

Period of Time	Office	Principal functions
December 2009 to March 2012	Head of farm	Supervision and overall management of Kedong YST Farm
From March 2012 onwards	Deputy general manager	Monitoring the health of cattle and production and operations management of the operating subsidiaries of the Company

* *For identification purposes only*

The Company is committed to fulfilling its responsibilities to the Company's shareholders (the "**Shareholders**") and protecting and enhancing shareholder value through good corporate governance.

CORPORATE GOVERNANCE PRACTICES

The board (the "**Board**") of directors (the "**Directors**") of the Company and its management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the businesses of the Company and its subsidiaries (the "**Group**") in a transparent and responsible manner and following good corporate governance practices serve the long-term interests of the Group and those of the Shareholders. The Board considers that the Company complied with all the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2024 (the "**Year**") and up to the date of publication of this annual report except for the following:

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of the chairman of the Board (the "**Chairman**") is responsible for overseeing the functions of the Board whilst the role of the chief executive officer of the Company (the "**CEO**") is responsible for managing the Group's business and overall operations.

On 15 April 2025, Mr. Zhao Hongliang resigned as an executive Director and the Chairman due to his other business commitments and ceased to be a member of the remuneration committee of the Board (the "**Remuneration Committee**"). Following the resignation of Mr. Zhao Hongliang, Mr. Zhang Yongjiu, an executive Director and the CEO, has been appointed as the Chairman and a member of the Remuneration Committee on the same day. The Board believes that vesting the roles of the Chairman and the CEO in the same person has the benefit of ensuring strong consistent leadership with the Group and enable more effective and efficient planning and implementation of business decisions and strategies. The Board also believes that it will not impair the balance of power and authority between the Board and the management of the Company.

In addition, as all major decisions are made in consultation with members of the Board and the relevant Board committees, and there are four independent non-executive Directors (the "**INEDs**") offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

CORPORATE STRATEGY

Under Code provision A.1.1 of the CG Code, the Board is required to establish the Company's purpose, values and strategy, and ensure that these and the Company's culture are aligned. The Group has adopted the following principle statement as the mission of the Group (the "**Mission**"):

– Dedicated to the production of "Consistently" Quality milk, carefully building China's dairy farming agricultural ecosystem

The Group has established its vision and culture to be the market leader in PRC and strive to offer more advanced and reliable products, and high-quality milk through continuous technical innovation to meet the needs of society and to bring people a better life. The Group believes in developing a coherent and harmonised relationship with our stakeholders and commits to provide and maintain a safe and healthy environment for our employees, customers/clients, contractors and stakeholder of our community.

The Group endeavors to add value to the society and the environment through responsible and self-conscious actions in its business. The major value of the Group includes:

- Continuous growth/Sustainable development
- Care for Customers/Clients
- One-Step Forward
- Innovation
- Developing our Employees
- Health and Safety
- Mutual respect and Integrity

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct for dealing in securities of the Company by the Directors. In response to a specific enquiry made by the Company, all Directors confirmed that they had complied with the Model Code during the Year.

BOARD OF DIRECTORS

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, reviewing the Company's financial results and performance and approving its interim and annual results; approving the appointment, removal or reappointment of the Board members upon the recommendation of the nomination committee of the Board (the "**Nomination Committee**"); approving the remuneration package of the Directors and senior management of the Company upon the recommendation of the remuneration committee established by the Board (the "**Remuneration Committee**"), deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance, risk management and internal control, and all other functions reserved to the Board under the Company's bye-laws (the "**Bye-laws**"). The Board may from time to time delegate certain functions to the senior management of the Group if and when considered appropriate. The senior management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

Board Independent Evaluation Mechanism

The Board has adopted a board independent evaluation mechanism (the "**Mechanism**") on 29 August 2022 for Directors to seek independent professional advices for them to discharge their duties and responsibilities, and to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgement to better safeguard shareholders' interests.

Continuing improvement and development of the Board and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Mechanism, the Directors may, in making decisions to perform their duties as Directors, seek such independent professional advice and opinions as they considered necessary to fulfil their responsibilities and in exercising independent judgement at the Company's expense (the "**Policy**"). Independent professional advice shall include advice of lawyers, auditors, accountants, financial advisers and other professional on matters of law, accounting, tax and other regulatory and professional matters. If the Directors consider that independent professional advice and views are necessary, the Directors should communicate with the Company Secretary and to provide background and details of the events and/or transactions and/or the issues involved and/or their problems, questions, concerns or specific advice to be sought. Subject to the approval of the Board, the Company or the Directors shall contact a professional adviser within a reasonable period of time to seek independent professional advice. Any advice obtained through the Policy shall be duly documented and made available to other members of the Board.

The Board has reviewed the implementation and the effectiveness of the Mechanism and considered it to be effective.

The Directors who were in office during the Year and up to the date of publication of this annual report are named as follows:

Executive Directors

Mr. Zhao Hongliang *(Chairman) (resigned on 15 April 2025)*
Mr. Fu Wenguo *(CEO) (resigned on 23 February 2024)*
Mr. Zhang Yongjiu *(Chairman and CEO) (appointed as executive Director and CEO on 23 February 2024 and Chairman on 15 April 2025)*
Mr. Chen Xiangqing *(Chief Financial Officer)*
Mr. Liu Gang

Non-executive Directors

Mr. Leng Youbin
Mr. Liu Hua
Mr. Cai Fangliang

INEDs

Mr. Zhang Yuezhou
Mr. Zhu Zhanbo
Mr. Meng Jingzong (alias Owens Meng)
Ms. Liu Jinping

Mr. Zhang Yongjiu was appointed as an executive Director and the CEO on 23 February 2024 and has on 19 March 2024 obtained the legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange, and Mr. Zhang has confirmed he understood his obligations as a director of a listed issuer under the Listing Rules. Mr. Zhang Yongjiu also appointed as the Chairman on 15 April 2025 following the resignation of Mr. Zhao Hongliang as an executive Director and the Chairman on the same day.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed in the "Biographical Details of Directors and Senior Management", there was no financial, business, family or other material relationship among the Directors.

The current three executive Directors are responsible for the leadership and control of the Company and overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three non-executive Directors participate in Board meetings to bring in an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinize the Company's performance in achieving agreed corporate goals and objectives.

The four INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise independent judgment on the corporate actions of the Company so as to protect Shareholders' interests and the overall interests of the Group.

The Company had four INEDs and at all times met the requirement of the Listing Rules that the number of INEDs must represent at least one-third of the Board members and at least one of the INEDs has appropriate professional qualifications of accounting or related financial management expertise.

Each of the INEDs has made an annual written confirmation of independence by reference to Rule 3.13 of the Listing Rules and the Board is satisfied that all the INEDs were independent and met the independence guidelines set out in the above Rule 3.13.

Directors' Induction and Continuing Professional Development

Each newly appointed Director received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure a proper understanding of the Company's operations and business and full awareness of the Director's responsibilities under the statues and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Company has from time to time provided briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense. All Directors have been required to provide the Company with their training records.

During the Year, all Directors attended briefings by certain professional advisers and/or participated in continuous professional development courses organized by professional bodies/firms on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director to develop and refresh their knowledge and skills.

The individual record of each Director who received training for the Year is summarised as follows:

Directors	Type of CPD
Executive Directors	
Mr. Zhao Hongliang#	A&B
Mr. Fu Wenguo *(resigned on 23 February 2024)*	A&B
Mr. Zhang Yongjiu *(appointed on 23 February 2024)*	A&B
Mr. Chen Xiangqing	A&B
Mr. Liu Gang	A&B
Non-executive Directors	
Mr. Leng Youbin	B
Mr. Liu Hua	B
Mr. Cai Fangliang	B
INEDs	
Mr. Zhang Yuezhou	B
Mr. Zhu Zhanbo	B
Mr. Meng Jingzong (alias Owens Meng)	A&B
Ms. Liu Jinping	B

resigned on 15 April 2025

Notes:

A: attending seminars/webinars/forums/workshops/conferences relevant to the Group's business or directors' duties updates on laws, rules and regulations to refresh their knowledge and skills

B: reading seminars materials and studying regulatory updates on laws, rules and regulations relating to directors' roles and functions

Meetings of Board and Board Committees and Directors' Attendance Records

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Board members at least 14 days in advance. For additional Board meetings which require discussion and resolution of significant issues arising during the operation of the Company, notice is given in a reasonable time in advance. Before each Board meeting, a draft agenda is sent out to all Directors at least three days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors three days or such other period as agreed before each Board meeting. The company secretary of the Company (the "**Company Secretary**") is responsible for keeping all Board meetings minutes. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version thereof is open for the Directors' inspection. According to the Listing Rules, any Directors and their close associates (as defined under the Listing Rules) with a material interest in the transactions to be discussed in the Board meetings will abstain from voting on the resolutions approving such transactions and will not be counted in the quorum for the meetings.

During the Year, four Board meetings and one annual general meeting (the "**AGM**") and one special general meeting (the "**SGM**") were held. Details of the attendance of the Directors are as follows:

	Attendance of		
	Board meetings	AGM	SGM
Directors	Attended/eligible to attend		
Executive Directors			
Mr. Zhao Hongliang#	4/4	1/1*	1/1*
Mr. Fu Wenguo *(resigned on 23 February 2024)*	N/A	N/A	N/A
Mr. Zhang Yongjiu *(appointed on 23 February 2024)*	4/4	1/1*	1/1*
Mr. Chen Xiangqing	4/4	1/1*	1/1*
Mr. Liu Gang	4/4	1/1	1/1
Non-executive Directors			
Mr. Leng Youbin	4/4	1/1*	1/1*
Mr. Liu Hua	4/4	1/1*	1/1*
Mr. Cai Fangliang	4/4	1/1*	1/1*
INEDs			
Mr. Zhang Yuezhou	4/4	1/1*	1/1*
Mr. Zhu Zhanbo	4/4	1/1*	1/1*
Mr. Meng Jingzong (alias Owens Meng)	4/4	1/1	1/1*
Ms. Liu Jinping	4/4	1/1*	1/1*

resigned on 15 April 2025

Notes:

1. *The Directors participated in AGM via teleconferencing.

2. During the Year, the Board had circulated and passed written resolutions on five occasions, which were dated 23 February 2024, 8 March 2024, 12 June 2024, 8 August 2024 and 18 November 2024, respectively, in addition to the physical Board meetings stated above.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 7 November 2013 and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard to the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made up on the merits and contribution that the selected candidates will bring to the Board. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

As at the date of publication of this annual report, the Board comprises 10 Directors. One of them is a female, four of the Directors are INEDs who are independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, professional background and skills. The Nomination Committee considered that the Board was sufficiently diverse in terms of gender and the Board had not set any measurable objectives.

DIVERSITY IN WORKFORCE

During the Year, among all the employees (including the senior management) of the Group, 75.8% are male employees and 24.2% are female employees. The Group believes that the gender ratio of employees is within the reasonable range.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board committee are in line with the Listing Rules and they are posted on the respective websites of the Stock Exchange and the Company.

Audit Committee

The Board has established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises all the four INEDs, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou, Mr. Zhu Zhanbo and Ms. Liu Jinping. Mr. Meng is the chairman of the Audit Committee.

The principal responsibilities of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and other terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;

- discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensuring co-ordination where more than one audit firm is engaged before the audit commences;

- developing and implementing a policy on engaging an external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

- reviewing the Company's financial controls, and unless expressly addressed by a separate risk committee or the Board itself, reviewing the Company's risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- ensuring co-ordination between the internal and external auditors, and that the internal audit function is adequately resourced and has appropriate standing with in the Company, and reviewing and monitoring its effectiveness;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response and ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

- considering other topics as defined by the Board.

During the Year, the Audit Committee held three meetings to review and supervise the financial reporting process and review the risk management and internal control systems of the Group. It had, in conjunction with Ernst & Young, the independent auditor of the Company, reviewed the Group's audited results for the year ended 31 December 2023 and unaudited interim results for the six months ended 30 June 2024 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Audit Committee meetings are as follows:

Members	**No. of attendance/ No. of meetings eligible to attend**
Mr. Meng Jingzong (alias Owens Meng) *(Chairman)*	3/3
Mr. Zhang Yuezhou	3/3
Mr. Zhu Zhanbo	3/3
Ms. Liu Jinping	3/3

The Audit Committee met on 28 March 2025 and, among other matters, reviewed the Group's audited consolidated results for the Year.

Remuneration Committee

The Board has established the Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises three INEDs, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou and Mr. Zhu Zhanbo and an executive Director, Mr. Zhang Yongjiu. Mr. Zhang Yuezhou is the chairman of the Remuneration Committee. The principal responsibilities of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing a remuneration policy;
- reviewing and approving the management's remuneration proposals by reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and such packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of the non-executive Directors;
- considering salaries paid by comparable companies, time commitment, responsibilities and employment conditions else wherein the Group;
- reviewing and approving compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to the dismissal or removal of the Directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate;
- ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- consulting the Chairman and/or Chief Executive Officer (where applicable) about their remuneration proposals for other executive Directors.

During the Year, the Remuneration Committee held one meeting and reviewed the remuneration packages of all the Directors, and made recommendations to the Board on the remuneration proposal for all Directors.

Details of the attendance of the Remuneration Committee meeting are as follows:

Members	No. of attendance/ No. of meetings eligible to attend
Mr. Zhang Yuezhou *(Chairman)*	1/1
Mr. Meng Jingzong (alias Owens Meng)	1/1
Mr. Zhu Zhanbo	1/1
Mr. Zhao Hongliang#	1/1

ceased to be member on 15 April 2025 and Mr. Zhang Yongjiu appointed as member on 15 April 2025

During the Year, the Remuneration Committee had circulated and passed written resolutions on one occasion, which was dated 23 February 2024, apart from the physical Remuneration Committee meeting stated above.

The Remuneration Committee met on 28 March 2025 and considered certain remuneration-related matters of the Directors and senior management.

Nomination Committee

The Board has established the Nomination Committee with written terms of reference in compliance with the CG Code. As at the date of this annual report, the Nomination Committee comprises three INEDs, namely Mr. Meng Jingzong (alias Owens Meng), Mr. Zhang Yuezhou and Mr. Zhu Zhanbo and an executive Director, Mr. Zhang Yongjiu. Mr. Zhu Zhanbo is the chairman of the Nomination Committee. The principal responsibilities of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships in accordance with the nomination policy of the Company (the "**Nomination Policy**"), details of which was set out in this report;

- assessing the independence of the INEDs;

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives; and making disclosure of its review results in the corporate governance report contained in the Company's annual report; and

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors, in particular, the Chairman and the chief executives.

During the Year, the Nomination Committee held one meeting and, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; and (iii) reviewed and made a recommendation on the re-appointment of the retiring Directors.

Details of the attendance of the Nomination Committee meeting are as follows:

Members	No. of attendance/ No. of meetings eligible to attend
Mr. Zhu Zhanbo *(Chairman)*	1/1
Mr. Meng Jingzong (alias Owens Meng)	1/1
Mr. Zhang Yuezhou	1/1
Mr. Fu Wenguo *(resigned on 23 February 2024)*	N/A
Mr. Zhang Yongjiu *(appointed on 23 February 2024)*	1/1

During the Year, the Nomination Committee had circulated and passed written resolutions on one occasion, which was dated 23 February 2024, apart from the physical Nomination Committee meeting stated above.

The Nomination Committee met on 28 March 2025 and, based on the Nomination Policy, recommended the re-appointment of all the retiring Directors at the forthcoming AGM.

Nomination Policy

The key objectives of the Nomination Policy shall include, inter alia , the following:

- to guide the Board in relation to appointment/re-appointment/removal of directors of the Company;
- to devise criteria for performance evaluation of the INEDs and the Board as a whole; and
- to devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the directors.

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to the criteria, including but not limited to the following (collectively, the "**Criteria**"):

- Diversity in the aspects, amongst others, of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Qualifications, both academic and professional, including accomplishment and experience in the relevant industries in which the Company's business is involved;
- Independence;

- Reputation for integrity;
- Potential contributions that the individual can bring to the Board; and
- Plan(s) in place for the orderly succession of the Board.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

- The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;
- The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from shareholders of the Company with due consideration given to the Criteria;
- The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;
- The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;
- If a candidate is considered to be suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;
- The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;
- The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the proposed remuneration package;
- The Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case maybe; and
- All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

Board's Corporate Governance Functions

The Board is responsible for performing the corporate governance functions of the Company as set out in code provision A.2.1 of the CG Code. The Board has reviewed this corporate governance report in discharge of its corporate governance functions, ensuring compliance with the Listing Rules.

Appointment and Re-election of Directors

Each of the non-executive Directors (including INEDs) has entered into a letter of appointment with the Company. The letters of appointment are for a term of three years and shall automatically renew thereafter until terminated by either party giving to the other not less than three months' prior notice in writing.

None of the Directors has or is proposed to have a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts or letters of appointment expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

All the Directors are subject to retirement by rotation and eligible for re-election in accordance with the Bye-laws. At each AGM, one-third of the Directors for the time being (or if their number is not three (3) or a multiple of three (3), then the number nearest to but not exceeding one-third (1/3)), will retire from office by rotation provided that every Director will be subject to retirement at least once every three (3) years. A retiring Director will be eligible for re-election and will continue to act as a Director throughout the meeting at which he/she retires. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation will include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself/herself for re-election. Any further Directors so to retire will be those who have been the longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire will (unless they otherwise agree among themselves) be determined by lot.

The Bye-laws further provide that the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed will hold office only until the next following AGM and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only until the next following AGM and shall then be eligible for re-election.

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the Year are set out in note 8 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the member of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors and Senior Management" in this annual report for the Year by band is set out below:

	2024 Number of employee(s)	2023 Number of employee(s)
HKD1,000,001 to HKD1,500,000	**1**	1
	1	1

INDEPENDENT AUDITOR'S REMUNERATION

For the Year, the fees charged by Ernst & Young in respect of the audit and non-audit (primarily review of interim financial information and report on continuing connected transactions) services provided to the Group for the Year amounted to approximate RMB2,450,000 and RMB450,000, respectively.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

In addition, Ernst & Young has stated its reporting responsibility in the independent auditor's report of the Company's consolidated financial statements for the Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, Environmental, Social and Governance ("**ESG**"), and assesses these risks in relation to their likelihood and potential impacts. Procedures have been setup for, inter alia, safeguarding assets against unauthorised use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under our framework, management is primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems and to safeguard the Group's assets. This risk management and internal control framework (which include financial, operational and compliance controls) is reviewed annually by the Audit Committee on behalf of the Board.

In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures, including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by management to report promptly any potential or actual non-compliance. The Internal Audit Department has been established to carry out annual risk assessment on each audit area and devise a yearly audit plan according to their risk ratings. The Internal Legal Department of the Group is also responsible for coordinating ongoing trainings for the staff by selecting and recommending suitable courses for the Directors, the management level and other employees of the Group. Periodic review of the Company's human resources policies has also been carried out to ensure sufficient manpower for the implementation of internal control measures. The Board has regularly evaluated the internal control procedures in order to prevent and detect any internal control procedural errors.

During the Year, the Company had in place renewed manuals for its risk management system, safety management system, human resources management system and work injury management system. In particular, the internal control department identified the major risks (including ESG risks) in connection with the information system, the management of construction-in-progress, the procurement process and the management of biological assets. Relevant sampling inspections were conducted and no material deficiencies were identified in the management as well as execution process.

The Company has also enhanced its internal communication system to ensure that policies formulated by the Board and the management would be effectively communicated to the relevant employees for execution. Internal communication between employees and the management has also been enhanced through conducting weekly or monthly meetings. Employees are encouraged to report potential fraud and suspicious circumstances relating to internal control failure to the management, which would be handled and investigated by a special audit team of the internal audit department, and relevant findings would be communicated to the whistleblower. Reward and management system is in place to encourage employees to streamline the production process and reduce costs. Responsibilities of employees and their internal control responsibilities are communicated through performance management system and face-to-face meetings.

The Group has formulated a whistleblowing policy for employees, customers and suppliers to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Group has also formulated a bribery and corruption policy to promote and support anti-corruption laws and regulations. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorized use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Company Secretary/joint company secretaries and investor relations officers are authorized to communicate with parties outside the Group.

In respect of the Year, the Company has carried out a review of, and the Board has received a confirmation from the management on, the effectiveness of the risk management and internal control systems of the Group and no significant areas of concern were identified. The Directors are of the view that the systems of internal control and risk management are effective and adequate and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness or adequacy of the Group's risk management and internal control systems.

JOINT COMPANY SECRETARIES

Ms. Song Miao ("**Ms. Song**") and Ms. Cheng Lucy ("**Ms. Cheng**") are the joint company secretaries of the Company (the "**Joint Company Secretaries**").

Ms. Song was appointed as one of the Joint Company Secretaries on 25 June 2018. She joined the Group in 2011 and is currently the director of Investor Relations primarily responsible for financial reporting and investor relations of the Group and has been involved in, among others, financial reporting matters and the preparation of the Company's regulatory announcements, interim/annual reports and circulars. Prior to joining our Group, Ms. Song had 3 years of experience in investment and listing advisory services. She received her bachelor of engineering degree from Harbin University of Science and Technology in the PRC in July 1998 and a master of business administration degree from Renmin University in the PRC in July 2005. The Stock Exchange has agreed that Ms. Song is qualified to act as a company secretary under Rule 3.28 of the Listing Rules in 2021.

The Company engages an external service provider, which assigned Ms. Cheng, a senior corporate secretarial manager of Boardroom Corporate Services (HK) Limited as the other Joint Company Secretary. The primary contact in respect of company secretarial matters of the Company is Ms. Song, who is currently also the director of Investor Relations.

During the Year, each of Ms. Song and Ms. Cheng has undertaken 15 hours of such training in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy, a summary of which is disclosed as below.

Any amount of dividends of the Company will be at the discretion of the Directors and will depend upon the Company's future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which the Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Bermuda Companies Act, including the approval of Shareholders.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene a Special General Meeting

One or more shareholders holding not less than one tenth of the paid-up capital of the Company as at the date of depositing the requisition, can convene a special general meeting by serving a written requisition notice to the Board or the Company Secretary for the purpose of requesting for convening a special general meeting. The written requisition shall be deposited to the Company's principal place of business in Hong Kong located at 31/F, 148 Electric Road, North Point, Hong Kong and to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda for the attention of the Board or the Joint Company Secretaries.

If the requisition is well-founded, the Board will, according to the applicable rules and regulations, issue sufficient notice to all Shareholders for convening the SGM. If the requisition is improper, the Company will notify the relevant requesting Shareholders of the objection and no SGM will be convened.

Procedures for Shareholders to Send Enquires to the Board

Shareholders can forward their questions about shareholding, share transfer/registration and dividend payment to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited whose contact particulars are as follows:

Email address:	hkinfo@computershare.com.hk
Address:	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
Tel. No.:	(852) 2862 8555
Fax. No.:	(852) 2865 0990/2529 6087

For enquiries about the Company's information, Shareholders can contact Ms. Song, a Joint Company Secretary, whose contact particulars are as follows:

Email address:	songmiao@ystdfarm.com
Fax. No.:	(86) 1064363988

or direct the enquiries to the Company's principal place of business in Hong Kong located at 31/F, 148 Electric Road, North Point, Hong Kong for the attention of the Board.

To put forward proposals at an AGM or a SGM, the Shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Company's registered office.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the Shareholders for consideration of the proposals submitted by the Shareholders concerned varies as follows pursuant to bye-law 65 of the Bye-laws:

(a) for an AGM, it shall be called by not less than twenty-one (21) clear days' notice; and

(b) for all other special general meetings, they may be called by not less than fourteen (14) clear days' notice.

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

Shareholders can propose a person for election as a Director at a general meeting in accordance with bye-law 112 of the Bye-laws. By doing so, the Shareholder should deposit (i) a written notice (the "**Proposal Notice**") of the intention to propose the person (the "**Candidate**") for election as a Director; and (ii) a written notice (the "**Consent Notice**") by the Candidate of his/her willingness to be elected at the address of the Company's (a) principal place of business in Hong Kong; or (b) Hong Kong branch share registrar and transfer office mentioned above at least seven (7) clear days before the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) clear days in length.

The Proposal Notice (i) must be accompanied by the information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder proposing the Candidate for election as a Director.

The Consent Notice (i) must indicate the Candidate's willingness to be elected and consent of the publication of his/her information as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Candidate.

In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, those Shareholders who wish to make the proposal are urged to submit and lodge the Proposal Notice and the Consent Notice as early as practicable.

To enable the Shareholders to make an informed decision on the relevant election proposal at a general meeting, the Company shall publish an announcement or issue a supplemental circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplemental circular. The Company shall assess whether or not it is necessary to adjourn the meeting to give Shareholders at least ten (10) business days to consider the relevant information disclosed in the announcement or the supplemental circular.

The relevant procedures are available on the respective websites of the Company at www.ystdfarm.com and www.ystdairyfarm.com.

For the purpose of the section headed "Shareholders' Rights" in this report, a business day shall mean any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which the Stock Exchange is open for the business of dealing in securities.

SHAREHOLDERS ENGAGEMENT

The Company adopted a shareholders' communication policy on 7 November 2013 with the objective of ensuring that both individual and institutional Shareholders, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), for the purpose of enabling the Shareholders to exercise their rights in an informed manner, and to allow them and the investment community to engage actively with the Company and to ensure that independent views and input are made available to the Board.

Information about the Company will be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), AGMs and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications on the respective websites of the Stock Exchange and the Company.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be addressed to Ms. Song Miao, whose contact particulars are as follows:

Email address:	songmiao@ystdfarm.com
Fax. No.:	(86) 1064363988

During the Year, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy including steps taken at the general meetings, the handling of queries received (if any) and the channels of communication and engagement in place, and considered that the shareholders' communication policy has been properly implemented and is effective.

CONSTITUTIONAL DOCUMENTS

During the Year, the Company had not made any change to its Bye-Laws. Pursuant to Rule 13.90 of the Listing Rules, the latest version of the Bye-laws has posted on the respective websites of the Stock Exchange and the Company.

Environmental, Social and Governance Report

1 INTRODUCTION

1.1 Scope of this Report

This report is prepared in accordance with the Environmental, Social and Governance ("**ESG**") Reporting Code in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**ESG Reporting Code**"). It aims to provide a balanced representation of the efforts made by the Company and its subsidiaries (the "**Group**") on corporate social responsibility and covers the Group's operation in the production and sale of raw milk for the year ended 31 December 2024 (the "**Year**"). In compliance with the extended disclosure requirements of the applicable ESG Reporting Guide, certain disclosures and key performance indicators together with their comparative figures are added to this report, apart from that, there are no significant changes in the scope of this report from that of ESG report for the year ended 31 December 2023.

1.2 Reporting Principles

This report follows the ESG Reporting Code and applies the following principles:

Reporting principles	Application in this report
Materiality	The Group's stakeholders are engaged in the identification of ESG issues that matter most from their perspectives. The Group assessed the materiality of those ESG issues based on the corresponding risks posed on the sustainability on the Group's businesses. Material ESG issues were identified and prioritized and are disclosed in this report.
Quantitative	Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption, where applicable, are disclosed in the respective sections in this report.
Consistency	Unless stated otherwise, the Group applies consistent methodology in compiling the ESG data reported to ensure meaningful comparison of ESG performance over time and between entities. Any change in methods or key performance indicators ("**KPIs**") used is explained.

1.3 Governance of ESG matters

To demonstrate our commitment to transparency and accountability, the Group has established an ESG working group, which has clear terms of reference that set out the powers delegated to it by the Company's board of directors (the "**Board**"). The Board assumes full responsibility for the Group's ESG matters, and is responsible for reviewing ESG-related matters on a regular basis, identifying and assessing related risks, and ensuring that the Group has established appropriate and effective ESG risk management and internal control systems. In addition, the Board of Directors regularly reviews the performance of the Group against ESG-related targets and reviews and approves the disclosures in ESG reports.

The ESG working group is responsible for formulating relevant ESG policies and management procedures in line with the framework and objectives set out by the Board and implementing daily ESG work across our business operation, including evaluating the stakeholders' needs and expectations with timely response, identifying ESG-related risks and opportunities pertain to the business operations, monitoring the environmental and social performance in our departmental units and reporting status of the Group's ESG related matters to the Board on a regular basis.

1.4 Corporate Social Responsibility ("CSR") Vision, Policy and Strategy

The Group adopted a CSR Policy in order to commit to the highest standards of corporate governance, and aims to integrate CSR into the Group's business strategy and management approach.

CSR is viewed as a business philosophy that creates shared sustainable value with its stakeholders in the economic, social and environmental dimensions. The Group's CSR vision and CSR Policy guide the Group's business and operational decisions to take into account its responsibility to the CSR cornerstones with pragmatic objectives providing guidance on the application of these principles in its daily operations.

Objectives

We integrate environmental and social considerations into the Group's business objectives to achieve:

Environmental objectives:

- Incorporate environmentally friendly elements to our daily service and operation activities;
- Reduce greenhouse gas emissions;
- Use energy and resources efficiently; and
- Continuously improve waste management.

Social objectives:

- Respect employees' rights and promote an equal opportunity workplace;
- Commit to occupational safety and health, and provide a safe and healthy workplace;
- Commit to ethical business practices, and build integrity within the workplace; and
- Promote community participation.

Approach

Monitored by the Board, the Group is executing its environmental and social strategy and achieving its related objectives through a series of actions and commitments:

- Embed environmental and social objectives into business processes including decision making process;
- Establish and document environmental and social policies for management and staff members to follow;
- Comply with environmental and social laws and regulations;
- Report our performance on a balanced picture;
- Disclose KPIs as measurement of actual results;
- Ensure appropriate and effective ESG risk management and internal control systems are in place; and
- Practise corporate citizenship in things we do.

Environmental and social management system comprises:

- Implementing direction from the Board to fulfil the ESG responsibilities;
- Daily execution of environmental and social strategy and achieving its objectives by management;
- Performance and achievements done by employees in accordance with the Group's environmental and social policies;
- Compliance with environmental and social laws and regulations;
- Review and monitoring of ESG risks management and internal control systems by the Board; and
- Reporting and disclosure of our performance and KPIs.

Measures for the achievement of environmental and social objectives are:

- Environmental policies;
- Social policies;
- Checklists for the compliance with applicable environmental and social laws and regulations;
- Requiring documentation for the performance and accomplishment of environmental and social related activities or matters; and
- Data collection, calculation, and disclosure of KPIs.

The implementation of environmental and social strategies, management of environmental activities, and measurement of achieving environmental and social objectives are monitored by dedicated managerial staff members and finally by the Board for its overall ESG responsibility.

1.5 Sustainability

The sustainable growth of the business of the Group is dependent on two critical aspects, which are, environmental protection and natural resources' exploitation. The need for achieving the harmonious development of society while catering to the increasing demands of resources has been recognized by the Group. Considering the importance of environment and natural resources, the Group has developed and implemented several management policies and conservation strategies in its business operations. To protect the environment and condense the exploitation of natural resources, the Group conforms to the requisite environmental regulations and international general practices, and undertakes measures accordingly. One of the prominent goals of the Group is to improve the efficiency in terms of using natural resources such as energy, water and other non-renewable resources. The actions taken by the Group constitute regular assessments of greenhouse gas ("**GHG**") emissions, classification and recycling of wastes, and deliberations on conservation strategies with those farms who consume higher levels of energy. Maintaining a balance between the business needs and sustainability of the natural environment has been regarded as eminently essential, for which, the Group emphasizes on offering quality services and products.

1.6 Stakeholders Engagement and Materiality Assessment

The Group endeavours to create sustainable growth and long-term value for its stakeholders, including the Group's employees, investors, customers and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to identify and collect their expectations and concerns regarding significant ESG related matters of the Group's businesses, which are evaluated, prioritized and incorporated into our ESG strategy, including the setting of practicable ESG targets. Our communication channels with our stakeholders include company website, annual general meeting, staff meetings and business meetings with customers and suppliers.

Based on the stakeholders' feedback, the material environmental and social issues were identified as follows:

- Employee welfare;
- Environmental compliance;
- Greenhouse gas emissions;
- Supply chain management;
- Product quality;
- Occupational health and safety; and
- Labour standard.

2 ENVIRONMENTAL

2.1 Emissions

The laws and regulations adopted by local authorities, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and Regulation on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry (畜禽規模養殖污染防治條例) to curtail the high emissions of greenhouse gas are considered and followed by the Group. No non-compliance with the laws and regulations relating to gas emissions, water discharges and generation of waste that have or may result in significant impact on the Company was identified during the Year. Apart from such conformity, the Group focuses on formulating and implementing needful measures to further the cause of preserving natural environment.

2.1.1 GHG Emissions from Energy Consumed

The majority of the Group's operational greenhouse gas emissions are a result of its energy use. Most of this is from combustion of coal, consumption of liquid fossil fuels and use of electricity for the heating system, vehicles and on-farm equipment, respectively.

	2024 MWh Cow	2024 MWh Goat	**2024 MWh Total**	2023 MWh Cow	2023 MWh Goat	**2023 MWh Total**
Energy Consumption						
Coal	36,312	9	**36,321**	45,227	26	**45,253**
Liquid fossil fuels	67,381	212	**67,593**	65,569	606	**66,175**
Electricity	104	–	**104**	100	1	**101**
Total energy consumption	103,797	221	**104,018**	110,896	633	**111,529**
Energy consumption intensity						
Per cow[1]	0.97	N/A	**N/A**	1.08	N/A	**N/A**
Per cow milk produced (tonne)[2]	0.18	N/A	**N/A**	0.23	N/A	**N/A**
Per goat[3]	N/A	0.05	**N/A**	N/A	0.13	**N/A**
Per goat milk produced (tonne)[4]	N/A	0.64	**N/A**	N/A	0.66	**N/A**

Notes:

Energy consumption intensity is calculated by dividing the total energy consumption by the number of cows or goats; and total milk produced.

1. The number of cows for 2023 and 2024 is approximately 102,497 and 107,296 respectively.

2. The total cow milk produced for 2023 and 2024 is approximately 476,284 tonnes and 587,515 tonnes respectively.

3. The number of goats for 2023 and 2024 (such figure is up to 30 June 2024, as the Group disposed its only goat farm through disposal of its entire equity interests in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd (陝西瑞祥誠達牧業有限公司) on 30 June 2024) is approximately 4,752 and 4,543 respectively.

4. The total goat milk produced for 2023 and 2024 (such figure is up to 30 June 2024, as the Group disposed its only goat farm through disposal of its entire equity interests in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd (陝西瑞祥誠達牧業有限公司) on 30 June 2024) is approximately 957 and 344 tonnes respectively.

Air emissions from combustion of coal and consumption of liquid fossil fuels:

		2024 **kg**	2023 kg
Air Emissions			
Nitrogen Oxides	NO_x	**143,192**	141,414
Sulphur Oxides	SO_x	**4,174**	5,325
Particulate Matter	PM	**1,228**	1,358

The Group's direct and indirect GHG emissions are analyzed below:

	2024 tCO_2 Cow	2024 tCO_2 Goat	**2024** **tCO_2** **Total**	2023 tCO_2 Cow	2023 tCO_2 Goat	**2023** **tCO_2** **Total**
GHG emissions						
Scope 1: Direct emissions						
– Coal and liquid fossil fuels	29,200	59	**29,259**	31,586	168	**31,754**
Scope 2: Indirect emissions						
– Electricity	69	–	**69**	68	1	**69**
Total GHG emissions (Scope 1+ 2)	29,269	59	**29,328**	31,654	169	**31,823**
GHG emissions intensity (Scope 1 + 2)						
Per cow[1]	0.27	N/A	**N/A**	0.31	N/A	**N/A**
Per cow milk produced (tonne)[2]	0.05	N/A	**N/A**	0.07	N/A	**N/A**
Per goat[3]	N/A	0.01	**N/A**	N/A	0.04	**N/A**
Per goat milk produced (tonne)[4]	N/A	0.17	**N/A**	N/A	0.18	**N/A**

Note:

GHG emissions intensity is calculated by dividing the total GHG emissions by the number of cows or goats; and total milk produced.

Total energy consumed by the Group decreased from 111,529 MWh in 2023 to 104,018 MWh in 2024 and the corresponding GHG emission decreased from 31,823 tCO_2 in 2023 to 29,328 tCO_2 in 2024, such decrease was mainly due to less coal energy was used.

Considering the usage of resources, the Group is eminently devoted towards efficient use of natural resources and conservation. The majority of the Group's energy consumption was contributed by the combustion of coal, in view of this, the Group has already started the transition towards other greener alternatives, where possible and economically viable. For instance, solar panels are gradually placed on the farms to provide heating for the facility, as they are considered a sustainable option when comparing with generators. In this manner, carbon dioxide production is reduced while decreasing the power consumption.

The Group strives for continuous energy reduction, for which, implementation plans pertaining to energy consumption and conservation are developed through the assistance of autonomous consultants. One such plan or project is currently implemented, where methane is converted into energy. Doing so decreases energy consumption rate.

As a result of the various efforts on environmental conservation, the Group's GHG emission from energy consumed per cow milk produced slightly decreased from 0.07 tCO_2 per tonne in 2023 to 0.05 tCO_2 per tonne in 2024 and from energy consumed per goat milk produced slightly decreased from 0.18 tCO_2 per tonne in 2023 to 0.17 tCO_2 per tonne in 2024.

2.1.2 *On-farm GHG Emissions*

Methane (CH_4), nitrous oxide (N_2O) and carbon dioxide (CO_2) are the leading greenhouse gases emitted by the dairy farming. Methane is generated from plant diet of cows or goats and other ruminants, where the animals are unable to digest the intake due to the high content of cellulose. Nonetheless, the methanogens, having interdependent association with ruminants, are the microorganisms residing within their guts. These are responsible for disintegrating the cellulose into carbohydrates, which further instigates a surge of energy within both the ruminant and microbial community. This process generates a by-product, methane. When utilizing fertilizers and manures in crop production, nitrous oxide is emanated. Moreover, it can be directly generated from the storage systems and land applications of manures. Lastly, carbon dioxide emissions are generated due to the animal respiration and decomposition of soil organic matter in the dairy farms. There is no identifiable hazardous waste generated from the dairy operation.

	2024 tCO_{2e} Cow	2024 tCO_{2e} Goat	**2024 tCO_{2e} Total**	2023 tCO_{2e} Cow	2023 tCO_{2e} Goat	**2023 tCO_{2e} Total**
On-farm GHG emissions						
Scope 3: Other Indirect emissions						
– Methane	251,832	148	**251,980**	204,249	410	**204,659**
– Nitrous oxide	184,031	108	**184,139**	149,259	300	**149,559**
– Carbon dioxide	48,429	28	**48,457**	39,279	79	**39,358**
Total	484,292	284	**484,576**	392,787	789	**393,576**
Total GHG emissions (Scope 1 + 2 + 3)	513,561	343	**513,904**	424,441	958	**425,399**
GHG emissions intensity (Scope 1 + 2 + 3)						
Per cow[1]	4.79	N/A	**N/A**	4.14	N/A	**N/A**
Per cow milk produced (tonne)[2]	0.87	N/A	**N/A**	0.89	N/A	**N/A**
Per goat[3]	N/A	0.08	**N/A**	N/A	0.20	**N/A**
Per goat milk produced (tonne)[4]	N/A	1.00	**N/A**	N/A	1.00	**N/A**

Notes:

1. The above calculation is based on the reference from Greenhouse Gas Emissions from the Dairy Sector – A Life Cycle Assessment issued by Food and Agriculture Organization of the United Nations – Animal Production and Health Division.

2. GHG emissions intensity per cow and per tonne of milk produced are calculated by dividing the total GHG emissions by the number of cows or goats; and total milk produced, respectively.

The Group's total GHG emissions increased from 425,399 tCO_2e in 2023 to 513,904 tCO_2e in 2024 as a result of the significant increase in the total amount of cow milk produced from 476,284 tonnes in 2023 to 587,242 tonnes in 2024 and the decreased in the total amount of goat milk produced from 957 tonnes in 2023 to 344 tonnes in 2024 due to disposal of a goat farm through disposal of a subsidiary during the Year.

On-farm GHG emissions accounted for approximately 94% and 93% of total GHG emissions in 2024 and 2023 respectively. To reduce CH_4, N_2O and CO_2 emissions arising from dairy farming, the Group has instigated certain initiatives concerned with cow maintenance such as the continuous monitoring of milk yield, review of feeding formula to enhance productivity of cows, thereby reduce GHG emissions intensity, where possible.

2.2 Use of Resources

	2024 tonne Cow	2024 tonne Goat	**2024 tonne Total**	2023 tonne Cow	2023 tonne Goat	**2023 tonne Total**
Water consumption	3,148,772	4,975	**3,153,747**	2,074,986	14,238	**2,089,224**
Water consumption intensity						
Per cow[1]	29.35	N/A	**N/A**	20.24	N/A	**N/A**
Per cow milk produced (tonne)[2]	5.36	N/A	**N/A**	4.36	N/A	**N/A**
Per goat[3]	N/A	1.10	**N/A**	N/A	3.00	**N/A**
Per goat milk produced (tonne)[4]	N/A	14.46	**N/A**	N/A	14.88	**N/A**

Note:

Water consumption intensity per cow and per tonne of milk produced are calculated by dividing the total water consumption by (1) the number of cows or goats; and (2) total milk produced, respectively.

The Group recognizes that water management is one of the material aspects of preserving the natural environment. Water management is promoted by recycling the waste water obtained from the farms by executing the operations of filtering, sedimentation and oxygen treatment. The recycled water is then used for farm and cow cleaning and irrigation. Hence, the Group does not have any concern in sourcing water that is fit for such purpose. The Group's water consumption for cow increased from 2,074,986 tonnes in 2023 to 3,148,772 tonnes in 2024, this also led to the Group's water consumption intensity per cow to increase. The Group's water consumption for goat decreased from 14,238 tonnes in 2023 to 4,975 tonnes in 2024, due to disposal of a goat farm through disposal of a subsidiary during the Year.

The Group currently does not report on the volume of non-hazardous waste generated from dairy farms, however, consistent reduction of potential impacts of its activities on the environment are encouraged. For instance, the Group promotes green information and electronic communication by the use of e-mail and electronic statements, where possible, with an aim to minimize wastes produced from its activities. Non-hazardous wastes produced by the Group mainly represent general industrial waste and domestic garbage. The Group has engaged third-party waste management companies to collect and dispose of its non-hazardous wastes in an appropriate manner.

Except for the Withdrawal Decision received by Baiquan Ruixincheng Farm in 2019, which was subsequently revoked in 2020, the Group is not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharges into water and land and generation of hazardous and non-hazardous wastes.

We confirmed that the total packing material used for finished products was minimal.

2.3 The Environment and Natural Resources

The Group has placed great importance on environmental protection, and has taken proactive strategies that attenuates the impact of technology on the environment. Deploying energy efficient equipment for carrying out various stages of production has been a mean to minimize the consumption of fuel, electricity and water. This has also contributed to streamlining the processes for improving the utilization of resources and discovering new domains for conserving the environment.

To ensure compliance with the local laws and regulations including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and Regulation on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry (畜禽規模養殖污染防治條例), the Group has formulated and implemented environmental and waste management plans.

For example, before approving any production activities, we assessed the impact of operations of the three Kedong dairy farms, the two Longjiang dairy farms, Baiquan, Gannan, Keshan and Zhenlai dairy farms, on the environment.

Cow or goat manure is the major waste product that is obtained from the dairy farms. This manure is treated via the deployment of waste treatment facilities such as biogas recycling. Such facilities are established in the farms, which collect and process the cow or goat manure for fuel. Biogas produced through fermentation is used directly for heating. If no waste treatment facilities are in place, the manure is recycled and converted into fertilizers, which are distributed to attain soil nutrition.

Apart from the aforementioned actions, the Group aligns its business activities with the local requirements related to natural environment. Moreover, the Group aims at reducing the repercussions of dairy farming on the environment while preserving and minimizing the usage of natural resources. The protection and conservation of natural resources and ecosystems, reduction of negative impacts across the global value chain and incessant improvement of overall business operations are highly encouraged by the Group.

2.4 Climate Change

It is an indisputable fact that global warming is becoming more and more serious. The Group has been focused on climate change issues. In this regard, the Group seeks to take the optimal measures to reduce air emission and greenhouse gas emissions from business operations and combat climate change. The Group will keep monitoring and addressing the issues and challenges posed by climate change.

3 SOCIAL

3.1 Employment and Labour Practices

3.1.1 Employment

Employees are an integral part of any organization and the corresponding labour management practices play a requisite role in shaping a company's culture, success and reputation. In order to achieve a higher position in the competitive business market, it is eminently essential to acquire a positive work culture by ensuring the sustainability and safety of the employees. Attracting and retaining the employees are equally important in the quest of promoting an optimal work culture. Considering the work culture of the Group, the local residents residing closer to the farms are provided with enticing employment opportunities. In case the local people are unable to fulfill the demands of a particular job, only then the search of workforce is extended outside the local boundaries. The Group does not differentiate the workforce on the basis of gender, as long as the candidates are equipped with the qualifying experience or skills.

The Group offers salaries above the local minimum wage regulation. No non-compliance with the laws and regulations relating to labour and employment that have resulted or may result in significant impact on the Company was identified during the Year.

During screening and recruitment, the candidates are required to acquire a physical examination certificate, provided by health and epidemic prevention departments. Apart from the recruitment and selection of employees, the skills of the workforce are developed through adequate trainings. Moreover, the employees are subject to regular medical examinations, which are carried out on the basis of job type and the employee position.

As of 31 December 2024, the Group had 2,375 (2023: 2,389) full-time employees in total and the overall employee turnover rate was about 47% (2023: 34%). The breakdown of the number of employees and the employee turnover rate are shown below.

	2024	2023
Number of employees		
By Gender		
Male	**1,801**	1,803
Female	**574**	586
By Employment Type		
Full-time	**2,375**	2,389
Part-time	**–**	–
By Age Group		
Below 20	**34**	37
Between 21-30	**397**	413
Between 31-40	**738**	744
Between 41-50	**867**	855
Between 51-60	**339**	338
Above 60	**–**	2
By Region		
The PRC	**2,374**	2,388
Hong Kong	**1**	1

		2024	2023
Number of employee turnover			
By Gender			
Male		**784**	596
Female		**324**	205
By Age Group			
Below 20		**19**	29
Between 21-30		**338**	225
Between 31-40		**307**	248
Between 41-50		**332**	217
Between 51-60		**112**	81
Above 60		**–**	1
By Region			
The PRC		**1,108**	801
Hong Kong		**–**	–

		2024	2023
Employee turnover rate (%)			
By Gender			
Male	%	**44**	33
Female	%	**56**	35
By Age Group			
Below 20	%	**56**	78
Between 21-30	%	**85**	54
Between 31-40	%	**42**	33
Between 41-50	%	**38**	25
Between 51-60	%	**33**	24
Above 60	%	**–**	50
By Region			
The PRC	%	**47**	34
Hong Kong	%	**–**	–

3.1.2 *Health and Safety*

The foremost objective of the Group is to ensure a robust system pertaining to policies while emphasizing on continuous improvements in all the business operations. Health and safety is one such aspect that underlies the success of an organization as it promotes an effective workforce. Therefore, the Group offers hazard identification training to all the employees, in which the individuals are trained to determine the potential health risks and apply preventive measures to resolve such issues. For promoting this cause, all the farms are requested to prepare a safety assessment report and occupational disease hazard assessment report. In addition, in response to the novel coronavirus epidemic (COVID-19), the Group has strengthened daily prevention and control and strengthened emergency response capabilities.

The health and safety measures undertaken by the Group include the following:

- An animal health and epidemic prevention system is put in place to ensure the well-being of the farm herd. The farm's veterinarian is responsible for supervising, implementing and enhancing the epidemic reporting system.

- The farms are regularly patrolled by the security guards, and all the activities in the farms are monitored. This include the registration of personnel and delivery vehicle disinfection prior to entry. Other vehicles are prohibited from entering the facility.

- The production area is well guarded where the non-production workers are not allowed to enter the restricted zone. As a precaution, the staff members and keepers are not allowed in the production area before the sterilization of uniform, which must be disinfected into the locker room. Their uniforms are replaced and are only permitted inside the area after the sterilization.

- Visits to the farm by the general public are declined.

- Regular cleaning and disinfecting of the farm is carried out.

- Any ill cow/goat or dead cow/goat is isolated immediately and transported to either a diagnosis room or isolation zone.

- Feed quality is checked regularly to ensure freshness.

- Vaccination is offered to the cows and goats in a regular manner to minimize the risk of infectious disease.

- Imported cows or goats must pass the national import and export inspection and quarantine bureau's isolation test before admitting to the farm.

- In case a disease erupts among the cows or goats, the animals are immediately isolated for treatment by the Group's veterinarians. Once an infectious disease is confirmed, it is reported directly to the farm and the Group. Infected cows or goats will be separated in the isolation room, individual care including feeding and cleaning is provided until recovery.

- Sick carcasses and their contaminants are either burned or buried.

- Measures on epidemic prevention are implemented and improvement on feed management can reduce sick incident. Our goal is to reduce the numbers of sick cows or goats.

The table below shows the number of reported work-related fatalities and injury cases:

Occupational Health and Safety	**2024**	2023	2022
Number of work-related fatalities in the past three year (including the reporting year)	**–**	–	–
Number of work-related injury cases	**8**	2	7
Lost days due to work injury	**911**	194	966

During the Year, no non-compliance with the laws and regulations relating to occupational safety that have occurred or result in significant impact on the Company was identified.

3.1.3 Development and Training

An effective workforce is only attained through essential development and training programs. The same has been recognized by the Group, which offers development opportunities to build a stronger team. In Hong Kong and the PRC, a vigorous and appropriate training development framework was developed as per the requirements of different staff members working at different positions. The types of training comprise on the job training, occupational health and safety management, use of personal protection equipment, personal hygiene, technical training, management training and compliance and policies training. The Group emphasizes on staff training, offering room for individual staff's personal growth and long-term career development, so that staff could grow together with the Group. Moreover, the training is conducted in a regular fashion and evaluated timely to comprehend its effectiveness.

Development and training data by various categories are shown below:

		2024	2023
Total number of hours of training received by employees	hours	**3,030**	245
Total number of employees trained	%	**15**	3
Average training hours completed per employee	hours	**1.28**	0.10
Percentage of employees received training			
By Gender			
Male	%	**89**	100
Female	%	**11**	–
By employee category			
Senior management	%	**4**	–
Middle management	%	**41**	32
Technical staff	%	**46**	68
General staff	%	**9**	–
Average training hours completed per employee			
By Gender			
Male	hours	**1.45**	0.14
Female	hours	**0.73**	–
By employee category			
Senior management	hours	**35.95**	–
Middle management	hours	**11.75**	0.54
Technical staff	hours	**0.80**	0.16
General staff	hours	**0.05**	–

3.1.4 Labour Standards

To attract and recruit talents, the Group offers competitive remuneration and welfare packages. The workforce is retained by the Group by providing promotion opportunities and salary adjustments as per the performance given by the individual employees. The additional benefits given to the employees range from free meal and accommodation, annual leave and medical coverage in accordance with local regulations. With this robust system of motivating the employees with enticing rewards and support, the Group strives to retain talent and envision the development of all the staff members.

In addition, an ethical code is followed within the organization, wherein the employees are not differentiated on the basis of gender and racism. All are offered with equal opportunities and any act of misconduct, such as sexual harassment, is seriously prohibited. Grievance mechanisms and disciplinary procedures are also set in place that assist the transparent and adequate governance of the business. The Group abides by all the regulations and laws on terms of employment, and strictly prohibits the use of forced labour or child labour in all the business activities. Prior to any confirmation of employment of the Group, our human resources department will require job applicants to provide valid identity documents to verify that the applicants are lawfully employable and ensure full compliance with relevant laws and regulations that prohibit child and forced labour. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately. The Group will regularly review the employees' information to ensure there is no violation of any regulations and policies.

During the Year, no violation of related laws, rules and regulations on child labour and forced labour was identified.

3.2 Operating Practices

3.2.1 Supply Chain Management

As the quality of feed has a substantial effect on the quality and yield of raw milk, the Group follows a strict review mechanism for choosing the feed suppliers. Only suppliers which are legally approved and has a proper means of importing the feed are selected. Qualified suppliers will be registered under the "Approved List of Suppliers" of the Group. For this purpose, the Group conducts surprise inspection tours to the supplier workshops and reviews the needful aspects of production. While the feed being delivered to the dairy farms are quarantined, the in-house laboratory performs the requisite sampling inspections. The feeds are checked for quality and only after they pass the inspection, they are allowed to be stored in the warehouse. As of 31 December 2024, we had 1,938 (2023: 2,076) suppliers located in the PRC.

Region	Number of Suppliers in 2024	Number of Suppliers in 2023
The PRC	**1,938**	2,076
Hong Kong	**–**	–

The Group expects the suppliers to implement good employment measures by dealing with their employees fairly and reasonably, respecting employees' rights and providing employees with an environment free from discrimination, child labour and forced labour. The suppliers also need to adhere to transparent business processes and high standards of conduct which they have to avoid conflicts of interest and prohibit corruption and bribery. Before making any procurement decisions, the Group will conduct due diligence and assessments on suppliers to ensure that environmental and social risks along the supply chain are identified and avoided. Our supply chain management policies and procedures include assessment, selection, approval, procurement and performance evaluation. We regularly evaluate our key suppliers' performance to determine whether to extend our partnership with them. Performance evaluation is based on capacity, delivery accuracy and punctuality, service, environmental protection and social responsibilities.

3.2.2 Product Responsibility

The Group adheres strictly to the local laws and regulations on product safety, including the Regulation on the Supervision and Administration of the Quality Safety of Dairy Products (乳品質量安全監督管理條例) and Regulations on the Administration of Livestock and Poultry (種畜禽管理條例). To ensure that our products complies with laws and regulations, such as the national Administrative Measures for Food Recall, we have developed internal control measures, including but not limited to Management Procedure for Product Withdrawal (Recall). Our document details each department's product withdrawal (recall) process and responsibilities. Departments dealing with such issues should investigate deviations and assess risks before a qualified person makes decisions on disposal.

Recognizing the importance of protecting our own and customers' intellectual property rights we have adopted the 'Intellectual Property Management Policy' to regulate the procedures and standards in intellectual property rights protection. The Group follows the legitimate intellectual property application procedures for its new trademark, labels and product designs. All of the software and information used in our daily business operations are with legal licenses and we only procure genuine products.

During the Year, the Group experienced no incidents of recalling products sold or sent due to safety and health reasons, and did not violate laws and regulations on the health and safety of products and services, or those pertaining to advertising, labelling and privacy. The Group did not involve in any disputes on inventions, utility model patents, software copyrights and other intellectual property content.

3.2.2.1 Control Over the Quality of Dairy Cows and Goats

The safety and quality of the raw milk is highly influenced by the quality of the dairy cows. At present, the Group breeds the high-quality Holstein dairy cows. To achieve high quality of breed, the dairy cows are inseminated with the semen from selected Holstein bulls sourced from the United States. The frozen semen of selected Holstein bulls is purchased from international suppliers either directly or through third-party domestic trading companies. Before purchasing the semen, the quarantine report of the respective bull is assessed. The semen is assessed on the basis of several factors, including the nutritional content of raw milk produced by the bull's offspring, and the milk yield and health condition of the bull's offspring. This ensures the appropriate mix and quality of the cows.

To ensure quality of our goat milk, the Group adopts similar control processes for dairy goats, and the source of insemination for dairy goats is from New Zealand and Australia.

3.2.2.2 *Quality Control During the Milking Process*

In all the dairy farms, a standard milking procedure is followed. To ensure the milk quality and safety of the cows or goats, the milk is produced and extracted in an automated and sanitary environment. The sterilizing fluids are sprayed across the teats of the dairy cows or goats, and are rigorously cleaned with dry towels before attaching the milking cups. The milking cups are also sterilized and only then the milking process is commenced. The first three squeezes of raw milk from the dairy cows or goats are discarded. Moreover, consistent inspection of the complete process is carried out with caution, for which the set milk safety standards are followed. After the milking process is complete, the teats of dairy cows or goats are sanitized again so as to avoid any infection. Therefore, following this rigorous process of milking ensures the optimal quality of the raw milk with low microbe count and low somatic cell count ("**SCC**").

3.2.2.3 *Quality Control During Storage and Transportation*

After the milking process is completed, the raw milk is further tested and inspected before supplying it to the end user. The milk is tested against veterinary drug residues, SCC, microbe count, protein content and fat content. During this inspection, if any amount of veterinary drug residue that exceeds the safety standards are found, then all the stored raw milk is discarded. However, there has been no such incident during the Year. A quality report is then generated to be stored as an internal record.

3.2.2.4 *Anti-epidemic Measures*

It is essential to note that the Group has a prominent focus on reducing or avoiding the occurrence of diseases within the farm premises. For this purpose, several general management practices are adopted and implemented for controlling and preventing different types of diseases.

To ensure good health of animals in the farm, they are subject to regular vaccinations, monitoring and controlling of parasites infestation, and promoting cleanliness for avoiding diseases. The workers are trained on how to care for the herd and protect them from unwanted harm through basic biosecurity measures. Such measure are implemented in farm management to minimize the disease transmission. For example, it involves the management of motor vehicle parking. All new bovines are individually quarantined before coming onto farm for at least two weeks. Cows or goats with any illness is immediately isolated from the quarantine zone for veterinary diagnosis.

3.2.2.5 *Protecting Consumer Rights*

The Group protects consumers' legitimate rights and strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), treats consumer complaints fairly and effectively protects consumers' privacy and information.

An independent department deals with complaints, and consumers can lodge complaints via channels, such as telephone and email. The department receives, classifies, responds to, disseminates and tracks information. The officer responsible for handling complaints, contacts the consumer within the time limits after receiving the information and complete the process in time. During the Year, the Group has not received any products and service related complaints.

In terms of consumer privacy protection, the Group handles the personal data of our customers carefully by collecting only necessary personal data and ensures that the information obtained is protected from unauthorized or accidental access. Our employees are constantly reminded the importance of respecting the privacy of personal and business data.

3.2.3 Anti-Corruption

Anti-corruption measures and laws are enforced within the business arena of the Group. The Group endeavor to maintain high moral standard and integrity, and forbid any forms of corruptions by setting out guidance in the Group's Code of Conducts. Whistleblowing policy is a good example of an anti-corruption, anti-fraud, and anti-malpractice policy followed by the Group to encourage reporting of any inappropriate behavior.

The Group established anti-corruption policies to prohibit employees from receiving any advantages offered by customers, suppliers, colleagues, or other parties, while they are performing employee duties, and prohibit any activities involving conflicts of interest, bribery, extortion, fraud, and money laundering. In addition, we provide publications on anti-corruption practices to our directors and senior management personnel regularly.

The Group is not aware of any complaints about corrupt practices brought against the Group or its employees during the Year.

3.3 Community

3.3.1 Community Investment

The Group has portrayed immense dedication in furthering the environmental cause by collaborating with the local communities in the project area and offering them the required support. The communities are assisted in determining the development plans, however, the support is only useful if the communities are prepared to help themselves. When considering the complementary support offered by the Group, the Group follows its policy on corporate citizenship, pursuant to which communities are informed and updated about the several developments carried out in the farms.

The communities are also aware of the manner which the Group operates, thus, allowing them to contribute in decision-making pertaining to essential developments. Such a process, recognized during environmental impact assessment preparation, is followed all the way through the project implementation phase. In addition, the public shows an intrinsic involvement with the complete project and partakes in decision-making for the betterment of the local and wider environment.

Sponsored community activities are arranged and established on the basis of community needs, which demonstrates the commitment of the Group in fulfilling its corporate social responsibility. These activities demonstrate acute care to the elderly, patients, disabled people and local students. Apart from such programs, the Group has been inclusive to the community by contributing through generous donations and formulating plans for environment conservation.

Due to the economic downturn after the outbreak of COVID-19, the Group did not take part in community activities during the Year (2023: Nil).

Directors' Report

The directors of the Company (the "**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2024 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the Year, the Company's subsidiaries were principally engaged in the production and sale of raw milk in the People's Republic of China (the "**PRC**").

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2024 are set out in the consolidated financial statements and their accompanying notes on pages 82 to 163 of this annual report.

DIVIDEND

The board of Directors (the "**Board**") has resolved not to recommend the payment of a final dividend for the Year (2023: Nil).

ANNUAL GENERAL MEETING (THE "AGM")

The AGM is scheduled to be held on Wednesday, 25 June 2025. A notice convening the AGM will be published on the respective websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company and dispatched to the shareholders of the Company (the "**Shareholders**"), if applicable, in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 20 June 2025 to Wednesday, 25 June 2025 (both days inclusive). In order to qualify for attending and voting at the AGM, the non-registered Shareholders should ensure that all transfers documents, accompanied by the relevant share certificates, must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 19 June 2025.

BUSINESS REVIEW AND PERFORMANCE

Review of our Business and Performance

A discussion and analysis of the Group's performance using financial key performance indicators during the Year and the key factors affecting its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Principal Risks and Uncertainties

The followings are the major risks and uncertainties currently faced or anticipated by the Group.

Operational Risk

Outbreak of animal disease, product contamination and unstable supply of the feed are certain risks distinctive to the dairy farming industry. Additionally, product safety and quality are crucial to the business of the Group as product contamination involving the farms of the Group could affect the Group's reputation and sales.

Competition Risk

The Group faces competition from other large scale dairy farming companies in the PRC as well as foreign suppliers that sell substitutes for raw milk, such as raw milk powder. The Group's ability to compete is, to a significant extent, dependent on its ability to distinguish its products from those of the Group's competitors by providing high quality products at reasonable prices.

Regulatory Risk

The Group conducts business in an industry that is subject to stringent PRC environmental laws and regulations. Failures to comply with the PRC environmental laws and regulations may lead to claims, liabilities or the suspension of our operations, and thereby adversely affect our business and results of operations.

Financial Risk

The Group is exposed to a variety of financial risks in the normal course of business, including interest rate risk, foreign exchange risk, credit risk and liquidity risk. For details of the financial risk, please refer to note 35 to the consolidated financial statements.

The Board is dedicated to ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible.

Particulars of Important Event

As at the date of this report, the Directors are not aware of any important events affecting the Group that have occurred since the end of the Year and the Company is not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Compliance with Laws and Regulations

During the Year, to the best of the knowledge and information of the Directors, the Group has complied with the relevant laws and regulations that had a significant impact on the business and operation of the Group.

Environmental Policies and Performance

We recognise the importance of environmental protection and place great emphasis on promoting environmental sustainability. In the course of our operation, the Group has inevitably produced considerable amount of cow manure by cows and heifers rearing. While cow manure is not hazardous waste or pollutants that have a significant adverse effect on the environment, in order to promote our own self-sufficiency and the environmental sustainability of our operations, the Group has implemented various waste management measures such as installing cow waste treatment facilities to treat the cow manure at all of our farms and recycling processed waste through internal recycling systems to produce fertilizers. The Group has also made continuous effort in exploring the possibility of generating electricity by processing the collected bio-waste into biogas.

Apart from the measures abovementioned, the Group has implemented a number of environment-friendly measures in its workplaces, such as energy-saving practices. For instance, the Group opts for energy efficient lighting equipment and has encouraged our employees to reduce printing and, if reasonably practicable, make use of duplex printing for internal documents. We shall broaden the scope of our green agenda and identify energy improvement opportunities in order to uphold our sustainable development and environment friendly attitude in our daily operation. The Group's commitment to protecting the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations.

Further discussion of our environmental policies and performance is set out in the "Environmental, Social and Governance Report" on pages 42 to 61 of this annual report.

Stakeholders' Engagement

The Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore has dedicated to maintaining good relationships with these stakeholders.

Recognising the crucial roles of our customers and suppliers in our business operation, the Group has reinforced its relationships with these business partners through ongoing communication in a proactive and effective manner. In particular, the Group has through continuous interaction with its customers to ensure that the quality of our raw milk product has satisfied their needs and requirements and will, therefore, meet our customers' expectation. Besides, the Group is also dedicated to developing good relationship with its suppliers to ensure a stable supply of reliable and high-quality feed for the Group's daily operation.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of our employees. The Group has also launched an ongoing effort to provide adequate training and development resources to our staff with an aim to foster an environment in which our employees can develop to their fullest potential and can assist their personal and professional growth.

PERMITTED INDEMNITY

Pursuant to the bye-laws of the Company (the "**Bye-laws**"), the Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors' indemnity (and/or other officers) or any of them to indemnify the Company and/or the Directors (and/ or other officers) for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company. The Company has arranged for an appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities during the Year and the indemnity provision and directors' and officers' liability insurance remained in force as of the date of this report.

FINANCIAL SUMMARY

A summary of the results as well as the assets and liabilities of the Group for the last five financial years is set out on page 164 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 25 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 27 to the consolidated financial statements and the consolidated statement of changes in equity on pages 149 and 84, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to equity holders, comprising the share premium, exchange fluctuation reserve and retained profits, amounted to approximately RMB3,253.6 million.

Under the Companies Act 1981 of Bermuda (as amended), the share premium account of the Company in the amount of RMB2,977.0 million may be applied for paying distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares of the Company (the "**Shares**") on a pro-rata basis to its existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 13 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

MANAGEMENT CONTRACTS

No contracts (except for the executive Directors' service contracts) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence as at 31 December 2024 or executed during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and the three largest customers accounted for approximately 94.0% and 99.6%, respectively, of the Group's total revenue for the Year. The purchases made by the Group from its largest supplier and five largest suppliers accounted for approximately 9.2% and 27.1% of the Group's total purchases for the Year, respectively.

None of the Directors or any of their close associates (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares (excluding treasury shares, if any)) had any beneficial interest in the Group's three largest customers or five largest suppliers.

BOARD

The Directors who were in office during the Year and up to the date of this report are named as follows:

Executive Directors

Mr. Zhao Hongliang (趙洪亮) *(Chairman)* R
Mr. Fu Wenguo (付文國) *(Chief Executive Officer)* N *(resigned on 23 February 2024)*
Mr. Zhang Yongjiu (張永久) *(Chief Executive Officer)* N *(appointed on 23 February 2024)*
Mr. Chen Xiangqing (陳祥慶) *(Chief Financial Officer)*
Mr. Liu Gang (劉剛)

Non-executive Directors

Mr. Leng Youbin (冷友斌)
Mr. Liu Hua (劉華)
Mr. Cai Fangliang (蔡方良)

Independent non-executive Directors (the "INEDs")

Mr. Zhang Yuezhou (張月周) A/R/N
Mr. Zhu Zhanbo (朱戰波) A/R/N
Mr. Meng Jingzong (alias Owens Meng) (蒙靜宗) A/R/N
Ms. Liu Jinping (劉晉萍) A

A: Member of the audit committee
R: Member of the remuneration committee
N: Member of the nomination committee

In accordance with bye-laws 107(A) and (B) of the Bye-laws, Messrs. Zhao Hongliang, Chen Xiangqing, Zhu Zhanbo ("**Mr. Zhu**") and Meng Jingzong (alias Owens Meng) ("**Mr. Meng**") will retire from office by rotation at the AGM. All of the above retiring Directors, being eligible, have offered themselves for re-election thereat.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Ms. Liu Jinping, Mr. Zhang Yuezhou, Mr. Zhu and Mr. Meng, an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this report, the Company considers all of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 15 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service agreement/letters of appointment with the Company. The service agreements/letters of appointment are for a term of three years and shall automatically renew thereafter until terminated by either party giving to the other not less than three months' prior notice in writing.

None of the Directors proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the executive Directors and the five individuals with the highest emoluments for the Year are set out in notes 8 and 9 to the consolidated financial statements, respectively.

The non-executive Directors are not entitled to a director's fee. Each of Mr. Zhang Yuezhou, Mr. Zhu and Ms. Liu Jinping, being an INED, is entitled to a director's fee of HK$125,000 per annum and Mr. Meng, an INED, is entitled to a director's fee of HK$200,000 per annum.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2024, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (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 as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Positions in the Shares

Name of Director	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares
Mr. Leng Youbin ("**Mr. Leng**") *(Note)*	Interest in a controlled corporation and founder of a discretionary trust/ Corporate and other interest	3,342,320,920	71.26%
Mr. Chen Xiangqing ("**Mr. Chen**")	Beneficial owner/Personal interest	3,500,000	0.07%

Note: 3,342,320,920 Shares were beneficially owned by China Feihe Limited ("**Feihe**") which is owned as to 49.379% by Mr. Leng, a non-executive Director. Therefore, Mr. Leng is deemed or taken to be interested in 3,342,320,920 Shares beneficially owned by Feihe by virtue of the SFO.

(ii) Long Positions in the shares of Feihe – an associated corporation of the Company

Name of Directors	Capacity/Nature of interests	Number of shares held	Number of underlying shares held	Approximate percentage of issued shares
Mr. Leng *(Note 1)*	Interest in controlled corporation/ corporate interest	587,516,458	–	6.48%
	Founder of a discretionary trust/ other interest	3,889,911,881	–	42.90%
Mr. Liu Hua ("**Mr. Liu**") *(Note 2)*	Founder of a discretionary trust/ corporate and other interest	345,681,920	–	3.81%
Mr. Cai Fangliang ("**Mr. Cai**") *(Note 3)*	Interest in a controlled corporation/ Corporate interest	101,647,734	–	1.12%
Mr. Zhang Yongjiu	Beneficial owner/Personal interest	6,238,731	–	0.07%
Mr. Chen *(Note 4)*	Beneficial owner/Personal interest	102,143	–	0.00%
Mr. Zhao Hongliang ("**Mr. Zhao**") *(Note 5)*	Beneficial owner/Personal interest	366,667	–	0.00%

Notes:

1. 587,516,458 shares were held by Mr. Leng through his controlled corporation – Dasheng Limited ("**Dasheng**"). 33.33% of the equity interests in Dasheng were held directly by Mr. Leng. 3,869,911,881 shares were held by Harneys Trustees Limited ("**Harneys**") as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited ("**LYB**"), which in turn holds the entire issued share capital of Garland Glory Holdings Limited ("**Garland Glory**"). Leng Family Trust was established by Mr. Leng as the settlor and the only discretionary object. Mr. Leng was deemed to be interested in 3,889,911,881 shares held by Garland Glory by virtue of the SFO.

2. 345,681,920 shares were held by Harneys as the trustee of LH Family Trust, which in its capacity as trustee holds the entire issued share capital of LH Capital Holding Limited, which in turn holds the entire issued share capital of LH Financial Holding Limited ("**LH Financial**"), LH Family Trust was established by Mr. Liu as the settlor and the only discretionary object. Mr. Liu was deemed to be interested in 345,681,920 shares directly held by LH Financial by virtue of the SFO.

3. 101,647,734 Shares were held by Adroit Shipping Limited, which is wholly owned by Mr. Cai.

4. Mr. Chen was granted 102,143 shares of Feihe on 26 January 2024 pursuant to the share award plan adopted by Feihe on 25 May 2023 (the "**2023 Share Award Plan**").

5. Mr. Zhao was granted 366,667 shares of Feihe on 26 January 2024 pursuant to the 2023 Share Award Plan.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2024, none of the Directors and the chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares and debentures 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 as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2024, as far as known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interests in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long Positions and Short Positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held	Approximate percentage of issued Shares
Feihe *(Note 1)*	Beneficial owner/Personal Interest	3,342,320,920	71.26%
Garland Glory *(Note 2)*	Interest in a controlled corporation/ Corporate Interest	3,342,320,920	71.26%
LYB *(Note 2)*	Interest in a controlled corporations/ Corporate Interest	3,342,320,920	71.26%
Harneys *(Note 2)*	Trustee of a trust/Other interest	3,342,320,920	71.26%

Notes:

1. Please refer to note 1 under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

2. 3,342,320,920 Shares were held by Harneys as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB, which in turn holds the entire issued share capital of Garland Glory, which in turn holds 42.90% of Feihe. Leng Family Trust is a discretionary trust established by Mr. Leng as the settlor and the only discretionary object. Accordingly, each of Harneys, LYB and Garland Glory was deemed or taken to be interest in 3,342,320,920 Shares directly held by Feihe.

Save as disclosed above, as at 31 December 2024, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) which/who had 5% or more interest in the Shares and the underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, and the 2023 Share Award Plan adopted by Feihe, at no time during the Year was the Company, its holding company, nor any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party during the Year or subsisted at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There has been no contract of significance (whether for the provision of services to the Company or not) between the Company or any of its subsidiaries and controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries during the Year or subsisted at the end of the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors or their respective close associates (as defined in the Listing Rules) are considered to have any interests in a business (apart from the business of the Group) which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest, as required to be disclosed under the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 32 to the consolidated financial statements. Save as disclosed in the paragraph headed "Continuing Connected Transactions" below, other related party transactions as disclosed in note 32 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under the Listing Rules or are exempt from compliance with reporting, announcement, annual review and independent Shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had certain transactions with parties which were connected persons of the Company under the Listing Rules. These transactions are considered to be continuing connected transactions under the Listing Rules, which need to be disclosed herein in compliance with the requirements under Chapter 14A of the Listing Rules.

Connected Person

Feihe Dairy Group (comprising Feihe and its subsidiaries) has been deemed by the Stock Exchange as the Company's connected person after the initial listing of the Company's shares on the Main Board of the Stock Exchange on 26 November 2013 pursuant to Rule 14A.19 of the Listing Rules due to the past relationship and transactions with Feihe Dairy Group, being one of the Group's customers, as disclosed in "Our Relationship with Feihe Dairy Group" paragraph in the section headed "History, Development And Reorganization" of the Prospectus. As such, the Company has agreed to undertake to comply with Chapter 14A of the Listing Rules' requirements in respect of the transactions with the Feihe Dairy Group from the Listing Date.

Following the close of the conditional voluntary general offer on 2 December 2020 and as at the date of this report, Feihe holds approximately 71.26% of the total issued Shares. Therefore, Feihe is the controlling shareholder of the Company and hence a connected person of the Company.

2023 Feihe Master Agreement

The Group has, since 1 November 2013, been selling raw milk to Feihe Dairy Group pursuant to the master agreements entered into in 2013, 2015, 2017, 2019 and 2022. A master agreement was entered into between the Group and China Feihe Group in October 2022 (the "**2023 Feihe Master Agreement**") to confirm the priority arrangement of the Group's supply for a raw milk to Feihe Dairy Group for a term of three years ending on 31 December 2025.

Pursuant to the 2023 Feihe Master Agreement, the Group would supply raw milk to Feihe Dairy Group in the event that the Group receives purchase orders from Feihe Dairy Group and other purchasers concurrently, the Group shall give priority to Feihe Dairy Group for purchase of raw milk on terms and conditions no less favourable to the Group than that offered by the other purchasers.

The approved annual caps in respect of the transactions contemplated under the 2023 Feihe Master Agreement for each of the three years ending 31 December 2025 are RMB2,500 million, RMB3,000 million and RMB3,400 million, respectively, details of the 2023 Feihe Master Agreement are disclosed in the announcement and the circular of the Company dated 14 October 2022 and 23 November 2022, respectively. A special general meeting of the Company was held on 15 December 2022 to approve the continuing connected transactions contemplated under the 2023 Feihe Master Agreement and the annual caps relating thereto.

Due to the change of market conditions and the structural imbalance between supply and demand for raw milk, the Company has proposed to adjust the limit of the revenue contribution from Feihe Dairy Group as a percentage of the Group's total revenue from 90% to 96% for each of the two years ending 31 December 2025 (the "**Proposed Limit Adjustment**"). Except for the Proposed Limit Adjustment, the terms of the 2023 Feihe Master Agreement and the annual caps in monetary terms remain unchanged. A special general meeting of the Company was held on 24 December 2024 to approve the Proposed Limit Adjustment. Please refer to the announcements of the Company dated 18 November 2024 and 24 December 2024 and the circular of the Company dated 4 December 2024 for details.

The connected transactions abovementioned have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Year.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The INEDs have reviewed the above continuing connected transactions for the Year and confirmed that the above continuing connected transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the terms of the agreements governing the continuing connected transactions (i.e. the 2023 Feihe Master Agreement) that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Ernst & Young, Certified Public Accountants, the Company's independent auditor, were engaged 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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unqualified letter to the Board containing their findings and conclusions in respect of the Group's continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares are held by the public) as required by the Listing Rules during the Year and up to the date of this report.

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

During the Year, the Company did not redeem any of the Company's listed securities nor did the Company or any of its subsidiaries purchase or sell any of such Shares (including sale of treasury shares, if any).

EVENT AFTER REPORTING PERIOD

The Group did not have any material subsequent event after the end of the Year and up to the date of this report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or requiring the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the end of the Year.

CORPORATE GOVERNANCE

Particulars of the Company's significant corporate governance practices are set out in the Corporate Governance Report on pages 21 to 41 of this annual report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises all the four INEDs, namely Mr. Meng (committee chairman), Mr. Zhang Yuezhou, Mr. Zhu and Ms. Liu Jinping. It has reviewed with management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITOR

There were no changes of independent auditor in the past three years.

The consolidated financial statements of the Company for the Year have been audited by Ernst & Young which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Ernst & Young as the independent auditor and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

Zhao Hongliang
Chairman

Hong Kong, 28 March 2025

* *For identification purpose*

Independent Auditor's Report

Ernst & Young
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Quarry Bay, Hong Kong

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Independent auditor's report
To the shareholders of YuanShengTai Dairy Farm Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of YuanShengTai Dairy Farm Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 82 to 163, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") 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 Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). 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 HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Fair value of biological assets	
As at 31 December 2024, the carrying value of the Group's biological assets, mainly including dairy cows, amounted to RMB2,339,650,000, representing 29% of the Group's total assets. During the year ended 31 December 2024, the Group recorded a loss of RMB614,501,000 arising from the changes in fair value less costs to sell of biological assets. The Group's biological assets are measured at fair value less costs to sell. The determination of the fair value requires significant management's judgements regarding, inter alia, species, age, culling rates and growing conditions of the biological assets, costs incurred, the average milk yield of each cow, the estimated milk price and the discount rate. Management engaged an external valuer to facilitate its determination of the fair value of the biological assets. Relevant disclosures are included in notes 3 and 17 to the consolidated financial statements.	Our audit procedures included conducting a stocktaking of biological assets and obtaining an understanding of management's judgements and key assumptions adopted to determine the fair value of the biological assets. In particular, we performed stocktakes of all dairy cows at the year end, and compared the valuation inputs to available market data. We considered the objectivity, independence and expertise of the independent valuer. We also involved our internal valuation specialists to assist us in evaluating the valuation models and the judgements and key assumptions adopted, including the discount rate and contributory asset charges. In addition, we assessed the adequacy of the related disclosures of the fair value of biological assets in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
As at 31 December 2024, the carrying amount of the Group's property, plant and equipment amounted to RMB3,803,316,000, representing 48% of its total assets. As at 31 December 2024, after assessing external and internal sources of information, management considered that impairment indicators existed. Management performed an impairment assessment of the property, plant and equipment in accordance with IAS 36 *Impairment of Assets* and concluded that no impairment should be recognised. This matter was significant to our audit because the balance of property, plant and equipment was material to the consolidated financial statements and the impairment assessment involved the determination of the recoverable amounts of the assets, which was complex and involved significant judgements and estimates. Relevant disclosures are included in notes 3 and 13 to the consolidated financial statements.	Our audit procedures included reviewing management's procedures in identifying the existence of any impairment indicators. We involved our internal valuation specialists to assist us in assessing management's assumptions in calculating the value in use of property, plant and equipment, focusing on the growth rate and discount rate.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the IASB 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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.

- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 consolidated 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Lam Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**2,551,898**	2,208,581
Cost of sales		**(1,607,344)**	(1,617,842)
Gross profit		**944,554**	590,739
Other income and gains	5	**158,738**	144,008
Administrative expenses		**(115,107)**	(139,314)
Other expenses		**(38,014)**	(57,114)
Finance costs	7	**(40,232)**	(35,486)
Impairment losses on property, plant and equipment and right-of-use assets	13	**–**	(89,812)
Changes in fair value less costs to sell of biological assets	17	**(614,501)**	(750,262)
PROFIT/(LOSS) BEFORE TAX	6	**295,438**	(337,241)
Income tax credit/(expense)	10	**1,232**	(2,458)
PROFIT/(LOSS) FOR THE YEAR		**296,670**	(339,699)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**2,495**	694
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**299,165**	(339,005)
Attributable to:			
Owners of the Company		**299,165**	(339,005)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**RMB6.32 cents**	(RMB7.24 cents)

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,803,316**	3,782,284
Investment properties	14	**38,734**	211,741
Right-of-use assets	15	**63,891**	73,436
Prepayments, other receivables and other assets	16	**4,882**	73,083
Biological assets	17	**2,339,650**	2,252,706
Deferred tax assets	24	**1,537**	–
Total non-current assets		**6,252,010**	6,393,250
CURRENT ASSETS			
Inventories	18	**672,945**	794,466
Trade receivables	19	**35,048**	82,593
Prepayments, other receivables and other assets	16	**20,771**	9,172
Time deposits	20	**303,708**	70,882
Restricted cash	20	**21,807**	37,547
Cash and cash equivalents	20	**637,594**	959,068
Total current assets		**1,691,873**	1,953,728
CURRENT LIABILITIES			
Trade and bills payables	21	**445,332**	476,602
Other payables and accruals	22	**1,051,345**	1,164,811
Interest-bearing bank borrowings	23	**399,215**	474,840
Lease liabilities	15	**13,518**	49,341
Tax payable		**2,112**	638
Total current liabilities		**1,911,522**	2,166,232
NET CURRENT LIABILITIES		**(219,649)**	(212,504)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,032,361**	6,180,746
NON-CURRENT LIABILITIES			
Other payables and accruals	22	**450,247**	384,028
Interest-bearing bank borrowings	23	**485,054**	872,836
Lease liabilities	15	**30,187**	157,221
Deferred tax liabilities	24	**–**	1,820
Total non-current liabilities		**965,488**	1,415,905
Net assets		**5,066,873**	4,764,841
EQUITY			
Issued capital	25	**37,674**	37,674
Reserves	27	**5,029,199**	4,727,167
Total equity		**5,066,873**	4,764,841

Zhao Hong Liang
Director

Chen Xiang Qing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to owners of the Company								
	Note	Issued capital RMB'000	Merger reserve RMB'000 (Note 27)	Share premium RMB'000	Capital reserve RMB'000 (Note 27)	Other reserve RMB'000 (Note 27)	Share-based payments RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2023		37,674	186,000	2,977,020	455,505	–	9,660	12,182	1,410,097	5,088,138
Loss for the year		–	–	–	–	–	–	–	(339,699)	(339,699)
Other comprehensive income for the year: Exchange differences related to foreign operations		–	–	–	–	–	–	694	–	694
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	694	(339,699)	(339,005)
Equity-settled share option arrangements	26	–	–	–	–	–	9,218	–	–	9,218
Contribution from the ultimate holding company		–	–	–	–	25,368	(18,878)	–	–	6,490
At 31 December 2023 and 1 January 2024		37,674	186,000*	2,977,020*	455,505*	25,368*	–*	12,876*	1,070,398*	4,764,841
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**296,670**	**296,670**
Other comprehensive income for the year: Exchange differences related to foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**2,495**	**–**	**2,495**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**2,495**	**296,670**	**299,165**
Contribution from the ultimate holding company		**–**	**–**	**–**	**–**	**2,867**	**–**	**–**	**–**	**2,867**
At 31 December 2024		**37,674**	**186,000***	**2,977,020***	**455,505***	**28,235***	**–***	**15,371***	**1,367,068***	**5,066,873**

* These reserve accounts comprise the consolidated reserves of RMB5,029,199,000 (2023: RMB4,727,167,000) in the consolidated statement of financial position.

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**295,438**	(337,241)
Adjustments for:			
Finance costs	7	**40,232**	35,486
Interest income	5	**(32,392)**	(29,396)
Depreciation of property, plant and equipment	6	**108,046**	96,279
Depreciation of investment properties	6	**14,651**	45,192
Depreciation of right-of-use assets	6	**5,289**	7,757
Loss on disposal of items of property, plant and equipment	6	**10,771**	278
Changes in fair value less costs to sell of biological assets	17	**614,501**	750,262
Gain on revision of a lease term arising from a change in the non-cancellable period of a lease		**–**	(174)
Gain on early termination of leases		**(632)**	–
Equity-settled share option expense		**–**	9,218
Employee benefit expenses borne by the ultimate holding company		**2,867**	6,490
Recognition of government grants		**(15,771)**	(16,563)
Impairment losses on property, plant and equipment and right-of-use assets	6	**–**	89,812
Foreign exchange differences, net	6	**(5,209)**	(8,735)
Gain on disposal of a subsidiary	28	**(19,078)**	–
		1,018,713	648,665
Decrease/(increase) in inventories		**120,481**	(6,922)
Decrease/(increase) in trade receivables		**47,513**	(56,576)
Increase in prepayments, other receivables and other assets		**(49,637)**	(233)
(Decrease)/increase in trade and bills payables		**(29,045)**	87,935
(Decrease)/increase in other payables and accruals		**(125,032)**	54,029
Cash generated from operations		**982,993**	726,898
Income tax paid		**(651)**	–
Interest received		**33,428**	25,412
Interest paid		**(2,016)**	(6,963)
Net cash flows from operating activities		**1,013,754**	745,347

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(117,126)**	(266,609)
Additions to right-of-use assets		**–**	(6,441)
Additions to biological assets		**(772,857)**	(868,049)
Proceeds from disposal of biological assets		**145,542**	202,592
Proceeds from purchases of structured deposits, net		**–**	1,622
Proceeds from disposal of items of property, plant and equipment		**7,441**	2,909
Receipt of government grants for property, plant and equipment		**87,312**	20,000
Placement of time deposits with original maturity of more than three months when acquired		**(1,378,406)**	(257,156)
Withdrawal of time deposits with maturity of more than three months when acquired		**1,145,580**	418,606
Decrease in restricted cash		**15,740**	(37,547)
Proceeds from disposal of a subsidiary	28	**39,396**	–
Net cash flows used in investing activities		**(827,378)**	(790,073)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**254,079**	652,652
Repayment of bank loans		**(717,486)**	(141,510)
Interest paid		**(39,933)**	(39,085)
Principal portion of lease payments		**(12,715)**	(53,307)
Net cash flows (used in)/from financing activities		**(516,055)**	418,750
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(329,679)**	374,024
Cash and cash equivalents at beginning of year		**959,068**	576,309
Effect of foreign exchange rate changes, net		**8,205**	8,735
CASH AND CASH EQUIVALENTS AT END OF YEAR		**637,594**	959,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**459,819**	589,126
Non-pledged time deposits with original maturity of less than three months when acquired	20	**199,582**	407,489
Restricted cash	20	**(21,807)**	(37,547)
Cash and cash equivalents as stated in the statements of financial position and cash flows	20	**637,594**	959,068

1. CORPORATE AND GROUP INFORMATION

YuanShengTai Dairy Farm Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

During the year, the Company and its subsidiaries (together, the "**Group**") were principally engaged in the production and sale of milk in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is China Feihe Limited, which is incorporated in the Cayman Islands.

Information about subsidiaries

Particulars of the Company's subsidiaries (all of which are private companies with limited liability) are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Natural Dairy Farm Limited	British Virgin Islands	United States dollars ("**USD**") 100	100	–	Investment holding
Royal Dairy Farm Limited	Hong Kong	Hong Kong dollars ("**HKD**") 100	–	100	Investment holding
Heilongjiang Gannan Ruixinda Dairy Farming Co Ltd.#* 黑龍江甘南瑞信達原生態牧業有限公司	PRC/Mainland China	Renminbi ("**RMB**") 150,000,000	–	100	Production and sale of raw milk
Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd.#* 黑龍江克東和平原生態牧業有限公司	PRC/Mainland China	RMB246,520,000	–	100	Production and sale of raw milk
Heilongjiang Kedong Ruixinda YuanShengTai Dairy Farming Joint Stock Co., Ltd.#* 黑龍江克東瑞信達原生態牧業股份有限公司	PRC/Mainland China	RMB186,850,000	–	100	Production and sale of raw milk
Zhenlai Ruixinda YuanShengTai Dairy Farming Co., Ltd. #* 鎮賚瑞信達原生態牧業有限公司	PRC/Mainland China	RMB60,000,000	–	100	Production and sale of raw milk
Harbin Ruixinda Dairy Farming Co., Ltd.#* 哈爾濱市瑞信達牧業有限公司	PRC/Mainland China	RMB380,000,000	–	100	Investment holding
Harbin Ruixincheng Trading Co., Ltd.#* 哈爾濱市瑞信誠商貿有限公司	PRC/Mainland China	RMB550,000,000	–	100	Inactive

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries (all of which are private companies with limited liability) are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kedong Yongjin YuanShengTai Dairy Farming Joint Stock Co., Ltd.# * 克東勇進原生態牧業有限公司	PRC/Mainland China	RMB1,216,000,000	–	100	Production and sale of raw milk
Kedong Ruixinda Commercial Trade Co., Ltd.# * 克東瑞信達商貿有限公司	PRC/Mainland China	RMB430,000,000	–	100	Inactive
Heilongjiang Ruihongcheng Trading Co., Ltd.# * (former name: 甘南瑞信誠商貿有限公司 Gannan Ruixincheng Commercial Trade Co., Ltd.) 黑龍江瑞弘誠商貿有限公司	PRC/Mainland China	RMB400,000,000	–	100	Inactive
Baiquan Ruixincheng Dairy Farming Co., Ltd.# * 拜泉瑞信誠牧業有限公司	PRC/Mainland China	RMB534,113,940	–	100	Production and sale of raw milk
Keshan Ruixincheng Dairy Farming Co., Ltd.# * 克山瑞信誠牧業有限公司	PRC/Mainland China	RMB300,000,000	–	100	Production and sale of raw milk
Longjiang Ruixincheng Dairy Farming Co., Ltd.# * 龍江瑞信誠牧業有限公司	PRC/Mainland China	RMB20,000,000	–	100	Production and sale of raw milk
Heilongjiang Jinyuan Dairy Farming Co., Ltd.# * 黑龍江金源牧業有限公司	PRC/Mainland China	RMB180,000,000	–	100	Production and sale of raw milk
Heilongjiang Bei'an Ruixincheng Dairy Farming Co., Ltd.# * 黑龍江北安瑞信誠牧業有限公司	PRC/Mainland China	RMB200,000,000	–	100	Production and sale of raw milk
Heilongjiang Yian Ruixinda Dairy Farming Co., Ltd.# * 黑龍江依安瑞信達牧業有限公司	PRC/Mainland China	USD61,000,000	–	100	Production and sale of raw milk
Heilongjiang Ruibenda Dairy Farming Co., Ltd.# * 黑龍江瑞犇達牧業有限公司	PRC/Mainland China	USD17,000,000	–	100	Production and sale of raw milk

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as these companies did not register any official English names.

* Registered as limited liability companies under PRC law.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**"), and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for biological assets and agricultural produce which have been measured at fair value less costs to sell. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

2. ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern

In preparation of the consolidated financial statements for the year ended 31 December 2024, the directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's total current liabilities exceeded its total current assets by RMB219,649,000 (2023: RMB212,504,000). Taking into account, (i) the available credit facilities of approximately RMB524,644,000, which remain unutilised as at 31 December 2024, obtained from licensed banks; and (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effect these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact to the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its biological assets at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and biological assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%-4%
Plant and machinery	6%-10%
Furniture and fixtures	18%-20%
Motor vehicles	11%-12%
Other equipment	18%-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are stated at cost less accumulated depreciation and any impairment losses. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Biological assets

Biological assets comprise dairy cows. Dairy cows include milkable cows, heifers and calves. Biological assets are measured on initial recognition and at the end of each reporting period at their fair value less costs to sell, with any resultant gain or loss recognised in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs, excluding finance costs and income taxes. The fair value of dairy cows is determined based on their present location and condition. The fair value of biological assets is determined independently by professional valuers.

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

Agricultural produce

Agricultural produce represents raw milk harvested from the Group's biological assets. Milk is recognised at the point of harvest at its fair value less costs to sell. The fair value of milk is determined based on market prices quoted in the local area. The costs to sell are the incremental costs directly attributable to the sales of milk, mainly transportation costs, excluding finance costs and income tax. A gain or loss arising from agricultural produce at the point of harvest measuring at fair value less costs to sell is credited to cost of sales and as initial cost of inventories for the period in which it arises. All raw milk is sold in the period it is produced, and the value resulting from initial measurement is immediately charged to cost of sales.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	3 to 50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss (structured deposits)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank borrowings.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each 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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of raw milk

Revenue from the sale of raw milk is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the raw milk.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

China Feihe Limited, the Company's holding company, operates a share option scheme and a share award plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 16% of their payroll costs to the central pension scheme during the year ended 31 December 2024. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is HKD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into land leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Estimation uncertainty

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

Fair values of dairy cows

The Group's dairy cows are valued at fair value less costs to sell. The fair values of dairy cows are determined based on either the market-determined prices as at the end of each reporting period adjusted with reference to species, age, growing condition, cost incurred and expected yield of the milk to reflect differences in characteristics and/or stages of growth of dairy cows; or the present value of expected net cash flows from dairy cows discounted at a current market-determined rate, when market-determined prices are unavailable. Any changes in the estimates may affect the fair values of dairy cows significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in fair values of dairy cows. Further details are given in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the production and sale of raw cow milk and goat milk. The two businesses are regarded as separate operating segments by the chief operating decision maker. As the operating segments have similar economic characteristics and both operating segments are similar in respect of the nature of products and service, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the service, and the nature of the regulatory environment, both operating segments are aggregated for financial reporting purposes.

During the year, the Group disposed the business of sale of raw goat milk to an independent third party, and no operating segment information is presented.

The Group's revenue from external customers is derived solely from its operations in Mainland China.

All external sales of milk produced by the Group during the year are attributable to customers located in Mainland China.

All non-current assets were located in Mainland China.

During the year, the Group made sales to major customers, the revenue from which individually contributed to more than 10% of the Group's total revenue for that year. The analysis for 2024 and 2023 is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Customer A	**2,397,608**	1,974,521
Others	**154,290**	234,060
	2,551,898	2,208,581

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Revenue from contracts with customers		
Sale of raw milk	**2,551,898**	2,208,581

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(a) Disaggregated revenue information

For the year ended 31 December

Segments	2024 Sale of raw milk RMB'000	2023 Sale of raw milk RMB'000
Types of goods		
Sale of raw milk	**2,551,898**	2,208,581
Total	**2,551,898**	2,208,581
Geographical market		
Mainland China	**2,551,898**	2,208,581
Total	**2,551,898**	2,208,581
Timing of revenue recognition		
Goods transferred at a point in time	**2,551,898**	2,208,581
Total	**2,551,898**	2,208,581

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of raw milk	**764,825**	694,692

5. REVENUE, OTHER INCOME AND GAINS (Continued)

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of raw milk

The performance obligation is satisfied upon delivery of the raw milk and payment is generally due within 30 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024 RMB'000	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**682,635**	764,825

An analysis of other income and gains is as follows:

	2024 RMB'000	2023 RMB'000
Other income and gains		
Government subsidies	**82,072**	50,751
Bank interest income	**32,362**	27,774
Other interest income	**30**	1,622
Gain on disposal of a subsidiary	**19,078**	–
Gross rental income from investment property operating leases	**16,769**	52,196
Others	**8,427**	11,665
Total other income and gains	**158,738**	144,008

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after (crediting)/charging:

	Notes	2024 RMB'000	2023 RMB'000
Breeding costs to produce		**1,161,055**	1,195,214
Production costs for raw milk		**446,289**	422,628
Cost of sales		**1,607,344**	1,617,842
Depreciation of property, plant and equipment	13	**196,494**	192,931
Less: Capitalised in biological assets		**(88,448)**	(96,652)
Depreciation recognised in the consolidated statement of profit or loss*		**108,046**	96,279
Depreciation of right-of-use assets	15	**5,289**	7,757
Depreciation of investment properties	14	**14,651**	45,192
Lease payments for short-term leases	15	**138**	180
Auditors' remuneration		**2,900**	2,900
Changes in fair value less costs to sell of biological assets	17	**614,501**	750,262
Employee benefit expenses excluding directors' and chief executive's remuneration (note 8):			
Wages and salaries#		**229,645**	206,723
Pension scheme contributions		**62,067**	60,727
Equity-settled share option expense		**–**	3,763
Less: Capitalised in biological assets		**(104,308)**	(96,125)
Employee benefit expenses excluding directors' and chief executive's remuneration recognised in profit or loss**		**187,404**	175,088
Impairment losses on property, plant and equipment and right-of-use assets***	13,15	**–**	89,812
Loss on disposal of items of property, plant and equipment		**10,771**	278
Gain on disposal of a subsidiary	28	**(19,078)**	–
Foreign exchange differences, net		**(5,209)**	(8,735)

* Depreciation of approximately RMB106,722,000 (2023: RMB95,168,000) is included in the cost of sales for the year ended 31 December 2024.

** Employee benefit expenses of approximately RMB135,726,000 (2023: RMB120,177,000) is included in the cost of sales for the year ended 31 December 2024.

*** Impairment loss of RMB89,497,000 for property, plant and equipment and RMB315,000 for right-of-use assets of the goat cash-generating unit are charged to profit or loss for the year ended 31 December 2023.

Included in wages and salaries, bonus of RMB2,058,000 (2023: RMB3,644,000) was contributed by the ultimate holding company's share awards.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	**40,982**	39,190
Interest on lease liabilities	**2,264**	7,510
Total interest expense on financial liabilities not at fair value through profit or loss	**43,246**	46,700
Less: Interest capitalised	**(3,014)**	(11,214)
Total	**40,232**	35,486

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	**1,597**	1,428
Other emoluments:		
Salaries, allowances and benefits in kind#	**4,591**	6,403
Pension scheme contributions	**573**	460
Equity-settled share option expense	**–**	5,455
Subtotal	**5,164**	12,318
Total	**6,761**	13,746

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Zhang Yuezhou	115	113
Mr. Zhu Zhanbo	115	113
Mr. Meng Jingzong	184	180
Ms. Liu Jinping	115	113
Total	529	519

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

(b) Executive directors, non-executive directors and chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind# RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024						
Executive directors:						
Mr. Zhao Hongliang	–	2,532	–	–	235	2,767
Mr. Zhang Yongjiu*	–	686	–	–	134	820
Mr. Chen Xiangqing	–	1,077	–	–	161	1,238
Mr. Liu Gang	1,068	149	–	–	17	1,234
Mr. Fu Wenguo**	–	147	–	–	26	173
Subtotal	1,068	4,591	–	–	573	6,232
Non-executive directors:	–	–	–	–	–	–
Mr. Leng Youbin	–	–	–	–	–	–
Mr. Liu Hua	–	–	–	–	–	–
Mr. Cai Fangliang	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Total	1,068	4,591	–	–	573	6,232

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind# RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive directors:						
Mr. Fu Wenguo	–	2,055	–	2,563	150	4,768
Mr. Zhao Hongliang	–	3,168	–	2,563	144	5,875
Mr. Chen Xiangqing	–	1,025	–	329	150	1,504
Mr. Liu Gang	909	155	–	–	16	1,080
Subtotal	909	6,403	–	5,455	460	13,227
Non-executive directors:						
Mr. Leng Youbin	–	–	–	–	–	–
Mr. Liu Hua	–	–	–	–	–	–
Mr. Cai Fangliang	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Total	909	6,403	–	5,455	460	13,227

Included in salaries, allowances and benefits in kind, bonus of RMB809,000 (2023: RMB2,846,000) was contributed by the ultimate holding company's share awards.

* Mr. Zhang Yongjiu was appointed as an executive director and the chief executive officer of the Company (the "**CEO**") with effect from 23 February 2024.

** Mr. Fu Wenguo resigned as an executive director and the CEO with effect from 23 February 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors including the chief executive (2023: four directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2023: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind#	**1,087**	949
Equity-settled share option expense	**–**	329
Pension scheme contributions	**147**	122
Total	**1,234**	1,400

\# Included in salaries, allowances and benefits in kind, bonus of RMB182,000 (2023: RMB187,000) was contributed by the ultimate holding company's share awards.

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2024 **Number of employees**	2023 Number of employees
RMB1,000,001 to RMB1,500,000	**1**	1
Total	**1**	1

10. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2024 as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil). Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax rate of 25% (2023: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

According to the prevailing tax rules and regulations, certain subsidiaries of the Group operating in the agricultural business are exempted from enterprise income tax.

	2024 **RMB'000**	2023 RMB'000
Current – PRC		
Charge for the year	**2,125**	638
Deferred (note 24)	**(3,357)**	1,820
Total tax (credit)/charge for the year	**(1,232)**	2,458

10. INCOME TAX (Continued)

A reconciliation of the tax (credit)/expense applicable to profit/(loss) before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rate to the effective tax rates, are as follows:

2024	**Mainland China**		**Hong Kong**		**Others**		**Total**	
	RMB'000	**%**	***RMB'000***	**%**	***RMB'000***	**%**	***RMB'000***	**%**
Profit/(loss) before tax	**280,099**		**23,533**		**(8,194)**		**295,438**	
Tax at the statutory tax rate	**70,025**	**25.0**	**3,883**	**16.5**	**–**	**0.0**	**73,908**	**25.0**
Effect of tax exemptions granted to agricultural entities	**(63,417)**	**(22.6)**	**–**	**0.0**	**–**	**0.0**	**(63,417)**	**(21.5)**
Income not subject to tax	**(8,127)**	**(2.9)**	**(4,139)**	**(17.6)**	**–**	**0.0**	**(12,266)**	**(4.2)**
Expenses not deductible for tax	**108**	**0.0**	**256**	**1.1**	**–**	**0.0**	**364**	**0.2**
Tax losses not recognised	**179**	**0.1**	**–**	**0.0**	**–**	**0.0**	**179**	**0.1**
Tax credit at the Group's effective rate	**(1,232)**	**(0.4)**	**–**	**0.0**	**–**	**0.0**	**(1,232)**	**(0.4)**

2023	Chinese Mainland		Hong Kong		Others		Total	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit/(loss) before tax	(339,659)		24,998		(22,580)		(337,241)	
Tax at the statutory tax rate	(84,915)	25.0	4,125	16.5	–	0.0	(80,790)	24.0
Effect of tax exemptions granted to agricultural entities	62,717	(18.4)	–	0.0	–	0.0	62,717	(18.6)
Income not subject to tax	–	0.0	(4,567)	(18.3)	–	0.0	(4,567)	1.4
Expenses not deductible for tax	24,366	(7.2)	442	1.8	–	0.0	24,808	(7.4)
Tax losses not recognised	290	(0.1)	–	0.0	–	0.0	290	(0.1)
Tax charge at the Group's effective rate	2,458	(0.7)	–	0.0	–	0.0	2,458	(0.7)

11. DIVIDENDS

No dividend was paid or proposed during 2024, nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of RMB296,670,000 (2023: loss of RMB339,699,000) and the weighted average number of ordinary shares in issue of 4,690,496,400 (2023: 4,690,496,400).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Other equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2024							
At 31 December 2023 and at 1 January 2024							
Cost	3,757,988	425,558	64,500	188,910	204,349	323,937	4,965,242
Accumulated depreciation and impairment	(731,897)	(221,135)	(30,639)	(86,231)	(109,056)	(4,000)	(1,182,958)
Net carrying amount	3,026,091	204,423	33,861	102,679	95,293	319,937	3,782,284
At 1 January 2024, net of accumulated depreciation and impairment	3,026,091	204,423	33,861	102,679	95,293	319,937	3,782,284
Additions	–	55,927	2,828	12,675	28,119	141,054	240,603
Disposals	(10,647)	(5,640)	(85)	(235)	(1,605)	–	(18,212)
Disposal of a subsidiary *(note 28)*	–	–	–	–	(5)	(4,860)	(4,865)
Depreciation provided during the year	(122,014)	(16,873)	(8,406)	(18,154)	(31,047)	–	(196,494)
Transfers	326,545	36,182	4,016	–	15,608	(382,351)	–
At 31 December 2024, net of accumulated depreciation and impairment	3,219,975	274,019	32,214	96,965	106,363	73,780	3,803,316
At 31 December 2024:							
Cost	3,985,142	491,951	69,837	195,281	236,668	73,780	5,052,659
Accumulated depreciation and impairment	(765,167)	(217,932)	(37,623)	(98,316)	(130,305)	–	(1,249,343)
Net carrying amount	3,219,975	274,019	32,214	96,965	106,363	73,780	3,803,316

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 31 December 2022 and at 1 January 2023							
Cost	3,442,120	403,522	51,913	168,587	161,714	535,141	4,762,997
Accumulated depreciation and impairment	(570,208)	(188,808)	(23,558)	(68,633)	(80,711)	–	(931,918)
Net carrying amount	2,871,912	214,714	28,355	99,954	81,003	535,141	3,831,079
At 1 January 2023, net of accumulated depreciation and impairment	2,871,912	214,714	28,355	99,954	81,003	535,141	3,831,079
Additions	587	25,591	12,781	23,000	39,088	135,773	236,820
Disposals	–	(2,737)	(20)	(281)	(149)	–	(3,187)
Depreciation provided during the year	(110,239)	(27,929)	(6,992)	(19,108)	(28,663)	–	(192,931)
Impairment	(76,905)	(6,913)	(263)	(886)	(530)	(4,000)	(89,497)
Transfers	340,736	1,697	–	–	4,544	(346,977)	–
At 31 December 2023, net of accumulated depreciation and impairment	3,026,091	204,423	33,861	102,679	95,293	319,937	3,782,284
At 31 December 2023:							
Cost	3,757,988	425,558	64,500	188,910	204,349	323,937	4,965,242
Accumulated depreciation and impairment	(731,897)	(221,135)	(30,639)	(86,231)	(109,056)	(4,000)	(1,182,958)
Net carrying amount	3,026,091	204,423	33,861	102,679	95,293	319,937	3,782,284

At 31 December 2024, certain of the Group's plant and machinery with a net carrying amount of approximately RMB25,573,000 (2023: RMB27,626,000) were pledged to secure general banking facilities granted to the Group (note 23 (c)).

Impairment testing for long-lived assets

As at 31 December 2023, the carrying value of the long-lived assets of the goat CGU amounted to RMB107,298,000. The goat CGU's long-lived assets consisted of property, plant and equipment, biological assets and right-of-use assets of RMB89,497,000, RMB17,486,000 and RMB315,000, respectively.

The recoverable amount was RMB17,486,000 which has been determined based on the higher of fair value and value-in-use using cash flow projections based on financial budgets approved by management covering a five-year period. The recoverable amount was based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional qualified valuer. The discount rate applied to the cash flow projections is 14% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing for long-lived assets (Continued)

The key assumptions on which management has based its cash flow projections to undertake impairment testing are as follows: (i) the expected average prices of goat milk are estimated after taking into account a growth rate of 3% for each projected year after considering future demand and inflation in Chinese Mainland; (ii) the expected feeding costs of goats are estimated based on past feeding cost and expectations for the population of goats; (iii) the average milk yield of each goat per day is estimated after taking into account a growth rate of 3% for each projected year based on historical milk producible data by a goat; (iv) the death rate; and (v) the discount rate is before tax and reflects specific risks relating to the relevant unit.

During the year ended 31 December 2023, by comparing the carrying value of the long-lived assets of the goat CGU with the recoverable amount, the Group provided impairment amounting to RMB89,497,000 and RMB315,000 related to property, plant and equipment and right-of-use assets of the goat CGU, respectively.

14. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
At 31 December:		
Cost	98,314	297,478
Accumulated depreciation	(59,580)	(85,737)
Net carrying amount	38,734	211,741

A reconciliation of the net carrying amount of investment properties at the beginning and end of the year is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	211,741	109,812
Additions	–	157,059
Early termination of leases	(158,356)	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(6,366)
Revision of the consideration of a lease	–	(3,572)
Depreciation charge	(14,651)	(45,192)
Carrying amount at 31 December	38,734	211,741

14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties consist of a leased land in Jilin Province (2023: several pieces of leased land in Jilin and Heilongjiang Province).

The Group's investment properties consist of revalued on 31 December 2024 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), independent professionally qualified valuers, at RMB42,000,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

Fair value hierarchy

The fair value measurement hierarchy of the Group's investment properties is as follows:

	2024	2023
	RMB'000	*RMB'000*
Significant unobservable inputs:		
Leased land (Level 3)	**42,000**	220,900

During the year, there were no transfers into or out of Level 3 (2023: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**
Leased land	Discounted cash flow method	Discount rate

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

15. LEASES

The Group as a lessee

The Group has lease contracts for leased land. Lease contracts are entered into for fixed terms of 3 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*
As at 1 January 2023	74,776
Additions	6,441
Revision of the consideration of a lease	291
Depreciation charge	(7,757)
Impairment	(315)
As at 31 December 2023 and 1 January 2024	**73,436**
Early termination of a lease	**(4,256)**
Depreciation charge	**(5,289)**
As at 31 December 2024	**63,891**

At 31 December 2024, all of the Group's leasehold land located in Mainland China did not have land use right certificates as all the land is leased from various independent third parties.

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movement during the year are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Carrying amount at 1 January	**206,562**	112,375
New leases	**–**	157,059
Disposal of a subsidiary *(note 28)*	**(315)**	–
Early termination of leases	**(150,075)**	–
Accretion of interest recognised during the year	**2,264**	7,510
Payments	**(14,731)**	(60,270)
Revision of the consideration of a lease	**–**	(3,572)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	(6,540)
Carrying amount at 31 December	**43,705**	206,562
Analysed into:		
Current portion	**13,518**	49,341
Non-current portion	**30,187**	157,221
	43,705	206,562

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Interest on lease liabilities	**2,264**	7,510
Depreciation charge of right-of-use assets	**5,289**	7,757
Depreciation charge of investment properties	**14,651**	45,192
Expense relating to short-term leases	**138**	180
Impairment of right-of-use assets	**–**	315
Gain on revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	(174)
Total amount recognised in profit or loss	**22,342**	60,780

15. LEASES (Continued)

The Group as a lessee (Continued)

(d) The total cash outflow for leases is disclosed in notes 29(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of a leased land in Jilin Province (2023: several leased land in Jilin and Heilongjiang Province) under operating lease arrangements. The terms of the leases generally require the tenants to make lump sum upfront rental payments. Rental income recognised by the Group during the year was RMB16,769,000 (2023: RMB52,196,000), details of which are included in other under revenue, other income and gains, note 5 to the consolidated financial statements.

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024	2023
	RMB'000	*RMB'000*
Prepayments	**6,241**	74,997
Other receivables	**19,412**	7,258
Total	**25,653**	82,255
Non-current portion	**(4,882)**	(73,083)
Current portion	**20,771**	9,172

Other receivables mainly represent receivables of government subsidies. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

None of above assets is either past due or impaired.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

17. BIOLOGICAL ASSETS

A – Nature of activities

Dairy cows (2023: dairy cows and dairy goats) owned by the Group are primarily held to produce milk.

The quantity of dairy cows owned by the Group at 31 December 2024 and 2023 is shown below. The Group's dairy cows contain heifers and calves and milkable cows. Heifers and calves held at 31 December 2024 and 2023 are dairy cows that have not had their first calves.

	2024	2023
	Heads	*Heads*
Dairy cows		
Heifers and calves	**49,330**	62,636
Milkable cows	**57,966**	39,861
Total dairy cows	**107,296**	102,497

The Group is exposed to fair value risks arising from changes in price of the dairy products. The Group does not anticipate that the price of the dairy products will decline significantly in the foreseeable future and the directors of the Company are of the view that there are no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the dairy products.

In general, the heifers are inseminated with semen when they reach approximately 16 months old. After approximately 9 months following a successful insemination, 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 before an approximately 60 days' dry period.

When a heifer begins to produce milk, it would be transferred to the category of milkable cows based on the estimated fair value on the date of transfer. The sale of dairy cows is not one of the Group's principal activities and the proceeds are not included as revenue.

As at 31 December 2024, the Group did not own any dairy goats upon the disposal of a subsidiary (note 28). The quantity of dairy goats owned by the Group as at 31 December 2023 was shown below, of which lambs and young goats held at 31 December 2023 were dairy goats that have not had their first lambs.

17. BIOLOGICAL ASSETS (Continued)

A – Nature of activities (Continued)

	2024	2023
	Heads	*Heads*
Dairy goats		
Lambs and young goats	**–**	1,495
Milkable goats	**–**	3,257
Total dairy goats	**–**	4,752

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

(i) Regulatory and environment 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.

17. BIOLOGICAL ASSETS (Continued)

B – Value of dairy cows and goats

The value of dairy cows at the end of the year was:

	2024 RMB'000	2023 RMB'000
Dairy cows	2,339,650	2,235,220

	Heifers and calves RMB'000	Milkable cows RMB'000	Total RMB'000
Balance as at 1 January 2023	931,309	1,065,382	1,996,691
Increase due to raising (feeding costs and others)	922,635	–	922,635
Increase due to purchase	248,835	–	248,835
Transfer (out)/in	(677,378)	677,378	–
Decrease due to sales	(41,376)	(160,104)	(201,480)
Loss arising from changes in fair value less costs to sell	(117,805)	(613,656)	(731,461)
Balance as at 31 December 2023 and 1 January 2024	1,266,220	969,000	2,235,220
Increase due to raising (feeding costs and others)	857,207	–	857,207
Transfer (out)/in	(1,063,147)	1,063,147	–
Decrease due to sales	(21,234)	(122,221)	(143,455)
Loss arising from changes in fair value less costs to sell	(45,126)	(564,196)	(609,322)
Balance as at 31 December 2024	993,920	1,345,730	2,339,650

17. BIOLOGICAL ASSETS (Continued)

B – Value of dairy cows and goats (Continued)

The value of dairy goats at the end of the year was:

	2024 *RMB'000*	2023 *RMB'000*
Dairy goats	–	17,486

	Lambs and young goats *RMB'000*	Milkable goats *RMB'000*	Total *RMB'000*
Balance as at 1 January 2023	5,840	22,761	28,601
Increase due to raising (feeding costs and others)	8,798	–	8,798
Transfer (out)/in	(1,260)	1,260	–
Decrease due to sales	(524)	(588)	(1,112)
Loss arising from changes in fair value less costs to sell	(7,465)	(11,336)	(18,801)
Balance as at 31 December 2023 and 1 January 2024	5,389	12,097	17,486
Increase due to raising (feeding costs and others)	7,112	–	7,112
Transfer (out)/in	(1,299)	1,299	–
Decrease due to sales	(204)	(1,883)	(2,087)
Loss arising from changes in fair value less costs to sell	(2,023)	(3,156)	(5,179)
Disposal of a subsidiary *(note 28)*	(8,975)	(8,357)	(17,332)
Balance as at 31 December 2024	–	–	–

At 31 December 2024, certain of the Group's dairy cows with a carrying amount of approximately RMB1,162,142,000 (2023: RMB391,283,000) were pledged to secure general banking facilities granted to the Group (note 23).

The Group's dairy cows (2023: dairy cows and dairy goats) in Mainland China were independently valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), a firm of independent qualified professional valuers not connected with the Group, who has appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the heifers and calves (2023: the heifers and calves and dairy goats) are determined with reference to the market prices of items with similar age, breed and genetic merit, if the market prices are available. There is no active market for milkable cows in the Mainland China market. An arm's length negotiation price in Mainland China might deviate from an overseas market price because of transportation costs, administrative costs and other factors. Due to the fact that the market prices of milkable cows are not available, JLL has applied the net present value approach to calculate the fair value less costs to sell of these items.

17. BIOLOGICAL ASSETS (Continued)

B – Value of dairy cows and goats (Continued)

The principal valuation assumptions adopted in applying the net present value approach are as follows:

- The quantities of the existing dairy cows at the end of the year will reduce at a certain culling rate due to natural or unnatural factors.

- The culling rates adopted are 10%, 13%, 15%, 23%, 35% and 100% for milkable cows in the first to sixth lactation cycles. These rates are based on the historical breeding data of the Group and future operating plans.

- The average milk yield of each cow per day ranges from 26.25 to 28.21 kg during the projected period of six lactation cycles, which is the estimated amount of milk producible by a cow.

- The expected average prices of milk during the projected period of six lactation cycles, which is the estimated production period of a dairy cow, are estimated after taking into account 2% (2023: 3%) of growth for each projected year after considering future demand and inflation in Mainland China.

- The cash flows for financing the assets and taxation are not included in accordance with IAS 41 *Agriculture*.

- Costs are average costs based on historical cost information and taking into account a 2% (2023: 3%) growth for each projected year after considering future supply and inflation in Mainland China.

- The discount rate used was 13.0% (2023: 13.0%) for the year ended 31 December 2024.

- Contributory assets include working capital, plant, property and equipment, and assembled workforce. The rates of return on the respective contributory assets were 3.10% (2023: 3.45%), 3.60% (2023: 4.20%), and 13.0% (2023: 13.0%), respectively, for the year ended 31 December 2024.

The principal valuation assumption adopted in measuring the fair value of heifers and calves and dairy goats are as follows:

- The average market price of a heifer of 14 months old was RMB18,000 (2023: RMB19,800) for the year ended 31 December 2024 and the average feeding cost per day of each calf and heifer was RMB36.04 (2023: RMB40.07).

- The average market price of a milkable goat and imported young goat was RMB3,067 and RMB12,082, respectively, for the year ended 31 December 2023.

17. BIOLOGICAL ASSETS (Continued)

C – Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's biological assets.

	Fair value measurement using significant unobservable inputs (Level 3)	
	2024	2023
	RMB'000	*RMB'000*
As at 31 December	**2,339,650**	2,252,706

D – Sensitivity analysis

Feeding costs sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in feeding costs, with all other variables held constant, of the Group's profit before tax (through the impact on changes in the feeding costs).

	Increase/(decrease) in profit before tax	
	2024	2023
	RMB'000	*RMB'000*
Increase in feeding costs of 10%	**(254,380)**	(249,410)
Decrease in feeding costs of 10%	**254,380**	249,410

Milk price sensitivity analysis for milkable cows

The following table demonstrates the sensitivity to a reasonably possible change in the milk price, with all other variables held constant, of the Group's profit before tax (through the impact on changes in the milk price).

	Increase/(decrease) in profit before tax	
	2024	2023
	RMB'000	*RMB'000*
Increase in milk price of 10%	**490,980**	424,990
Decrease in milk price of 10%	**(490,980)**	(424,990)

17. BIOLOGICAL ASSETS (Continued)

E – Gain arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest

	2024 *RMB'000*	2023 *RMB'000*
Raw milk	**2,544,518**	2,203,230

18. INVENTORIES

	2024 *RMB'000*	2023 *RMB'000*
Feeds	**649,498**	760,127
Others	**23,447**	34,339
Total	**672,945**	794,466

At 31 December 2024, no inventories were pledged.

19. TRADE RECEIVABLES

	2024 *RMB'000*	2023 *RMB'000*
Trade receivables	**35,048**	82,593

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In the view of the aforementioned and the fact that the Group's trade receivables relate to a few numbers of customers, there is a concentration of credit risk as disclosed in note 35 to the financial statements. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date, is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Within 1 month	**34,663**	82,563
1 to 2 months	**–**	30
3 to 6 months	**385**	–
Total	**35,048**	82,593

19. TRADE RECEIVABLES (Continued)

No loss allowance for impairment of trade receivables for each of the reporting periods was made.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

20. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	2024	2023
	RMB'000	*RMB'000*
Cash and bank balances	**459,819**	589,126
Time deposits	**503,290**	478,371
Subtotal	**963,109**	1,067,497
Less: Non-pledge time deposits with maturity of more than three months when acquired	**(303,708)**	(70,882)
Restricted cash	**(21,807)**	(37,547)
Cash and cash equivalents	**637,594**	959,068

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB431,429,000 (2023: RMB501,460,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods between one month and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represents guaranteed deposits pledged to the banks for issuance of trade facilities, such as guaranteed deposits for bank acceptance bills. Such restricted cash will be released when the Group repays the related trade facilities.

21. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 2 months	**352,232**	345,871
2 to 6 months	**53,524**	97,912
6 to 12 months	**13,851**	12,499
Over 1 year	**25,725**	20,320
Total	**445,332**	476,602

Trade and bills payables are non-interest-bearing and are normally settled on terms of 2 to 6 months.

22. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Deferred revenue	*(a)*	**473,743**	405,737
Contract liabilities	*(b)*	**682,635**	764,825
Other payables – construction	*(c)*	**156,187**	192,865
Other payables – equipment and materials	*(c)*	**36,634**	48,556
Others		**152,393**	136,856
		1,501,592	1,548,839
Non-current portion			
Deferred revenue	*(a)*	**(450,247)**	(384,028)
		1,051,345	1,164,811

(a) Deferred revenue represented government grants received by the Group as financial subsidies for the purchases of feed and the construction of farms. Government grants are recognised as income over the period necessary to match the grant on a systematic basis to the costs and expenses that they are intended to compensate on over the weighted average of the expected useful life of the relevant property, plant and equipment.

22. OTHER PAYABLES AND ACCRUALS (Continued)

(b) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances received from a customer		
Sale of raw milk	**682,635**	764,825

Contract liabilities include short-term advances received to deliver raw milk. The decrease in contract liabilities in 2024 and 2023 was mainly due to the decrease in short-term advances received from customers in relation to the sale of raw milk at the end of the year.

(c) Other payables are non-interest-bearing and have no fixed terms of repayment.

23. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**2.90-3.85**	**2025**	**234,583**	2.90-3.80	2024	224,840
Bank loans – unsecured	**3.20-3.70**	**2025**	**164,632**	3.60-3.85	2024	250,000
Total – current			**399,215**			474,840
Non-current						
Bank loans – secured	**3.15-3.85**	**2027**	**485,054**	3.65-3.85	2027	872,836
Total			**884,269**			1,347,676

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**399,215**	474,840
In the third to fifth years, inclusive	**485,054**	872,836
Total	**884,269**	1,347,676

23. INTEREST-BEARING BANK BORROWINGS (Continued)

(a) As at 31 December 2024, all bank borrowings were denominated in RMB.

(b) Certain of the Group's bank loan facilities up to RMB510,000,000 (2023: RMB510,000,000) as at 31 December 2024 were guaranteed by the vice president of the Group's fellow subsidiary (2023: the Group's former chief executive officer) and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB478,355,000 (2023: RMB159,616,000), of which RMB256,655,000 (2023: RMB256,654,000) was unutilised.

(c) Certain of the Group's bank loan facilities up to RMB321,000,000 (2023: RMB321,000,000) as at 31 December 2024 were guaranteed by the vice president of the Group's fellow subsidiary (2023: the Group's former chief executive officer) and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB44,166,000 (2023: RMB39,357,000), and the Group's plant and machinery with an aggregate carrying value at the end of the reporting period of RMB25,573,000 (2023: RMB27,626,000), of which none (2023: none) was unutilised.

(d) Certain of the Group's bank loan facilities up to RMB350,000,000 (2023: RMB510,000,000) as at 31 December 2024 were guaranteed by certain subsidiaries of the Group, of which RMB18,189,000 (2023: RMB2,700,000) remain unutilised.

(e) Certain of the Group's bank loan facilities up to RMB100,000,000 (2023: RMB100,000,000) as at 31 December 2024 were guaranteed by a director of a subsidiary and his wife, and a subsidiary of the Group, and were also pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB186,773,000 (2023: RMB192,310,000), of which RMB100,000,000 (2023: RMB62,460,000) was unutilised.

(f) Certain of the Group's bank loan facilities up to RMB220,000,000 (2023: Nil) as at 31 December 2024 were pledged by the Group's dairy cows with an aggregate carrying value at the end of the reporting period of RMB452,848,000 (2023: Nil), of which RMB149,800,000 (2023: Nil) remain unutilised.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2024		
	Right-of-use assets *RMB'000*	Investment properties *RMB'000*	Total *RMB'000*
At 31 December 2023 and 1 January 2024	525	52,935	53,460
Deferred tax credited to profit or loss during the year *(note 10)*	(525)	(44,160)	(44,685)
Gross deferred tax liabilities at 31 December 2024	–	8,775	8,775

Deferred tax assets

	2024	
	Lease liabilities *RMB'000*	Total *RMB'000*
At 31 December 2023 and 1 January 2024	51,640	51,640
Deferred tax credited to profit or loss during the year *(note 10)*	(41,328)	(41,328)
Gross deferred tax assets at 31 December 2024	10,312	10,312

24. DEFERRED TAX (Continued)

Deferred tax liabilities

	2023		
	Right-of-use assets	Investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	652	27,442	28,094
Deferred tax (credited)/charged to profit or loss during the year *(note 10)*	(127)	25,493	25,366
Gross deferred tax liabilities at 31 December 2023	525	52,935	53,460

Deferred tax assets

	2023	
	Lease liabilities	Total
	RMB'000	*RMB'000*
At 1 January 2023	28,094	28,094
Deferred tax credited to profit or loss during the year *(note 10)*	23,546	23,546
Gross deferred tax assets at 31 December 2023	51,640	51,640

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

	2024	2023
	RMB'000	*RMB'000*
Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position	**1,537**	(1,820)

The Group has tax losses arising in Mainland China of RMB3,357,000 (2023: RMB3,695,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

24. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

As at 31 December 2024, no deferred tax 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, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB152,495,000 at 31 December 2024 (2023: RMB160,712,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

Shares

	2024	2023
	RMB'000	*RMB'000*
Authorised:		
50,000,000,000 ordinary shares of HKD0.01 each	**406,897**	406,897
Issued and fully paid:		
4,690,496,400 (2023: 4,690,496,400) ordinary shares of HKD0.01 each	**37,674**	37,674

26. SHARE OPTION SCHEME

(a) Share option scheme

China Feihe Limited, the Company's holding company, operated a share option scheme (the "**2020 Share Option Scheme**"), which was adopted and approved by the shareholders of China Feihe Limited on 22 June 2020. Eligible persons of the 2020 Share Option Scheme include, inter alia, any eligible person (including director and employee) of China Feihe Limited and its subsidiaries. The purposes of the 2020 Share Option Scheme were (i) to attract and retain skilled and experienced personnel for positions of substantial responsibility, (ii) to provide additional incentive to directors of China Feihe Limited and its subsidiaries, key employees and other stakeholders of China Feihe Limited, and (iii) to promote the success of the business of China Feihe Limited.

On 15 July 2021, a total of 3,029,400 share options were granted to directors and employees of the Company to subscribe for a total of 3,029,400 new shares of China Feihe Limited of USD0.000000025 each, with the first vesting date on 15 July 2022 ("**First Vesting Date I**") which up to 20% of the granted share options to be vested, and up to 40%, 60%, 80% and 100% of the share options to be vested on the first, second, third and fourth anniversary of the First Vesting Date I. These share options are exercisable at HKD16.84 per share and must be exercisable within ten years from the grant date, and if not so exercised, the share options shall lapse.

On 24 January 2022, a total of 2,400,000 share options were granted to directors of the Company to subscribe for a total of 2,400,000 new shares of China Feihe Limited of USD0.000000025 each, with the first vesting date on 24 January 2023 ("**First Vesting Date II**") which up to 20% of the granted share options to be vested, and up to 40%, 60%, 80% and 100% of the share options to be vested on the first, second, third and fourth anniversary of the First Vesting Date II. These share options are exercisable at HKD11.76 per share and must be exercisable within ten years from the grant date, and if not so exercised, the share options shall lapse.

There are no cash settlement alternatives. The Company does not have a past practice of cash settlement for these share options. The Company accounts for the 2020 Share Option Scheme as an equity-settled plan.

Share options do not confer rights on the holders to dividends or voting rights at shareholders' meetings.

During the year ended 31 December 2023, the 2020 Share Option Scheme was cancelled by China Feihe Limited. As a result, a total of 5,429,400 share options previously granted to directors and employees were cancelled, and the share option expenses not yet recognised of RMB4,717,000 were recognised immediately. No substituted award scheme was adopted by China Feihe Limited or the Company.

26. SHARE OPTION SCHEME (Continued)

(a) Share option scheme (Continued)

The movements of options granted to directors and employees of the Company pursuant to the 2020 Share Option Scheme are as follows:

	2023	
	Weight average exercise price per share *HKD*	Number of options
At 1 January	14.59	5,429,400
Granted during the year	–	–
Cancelled during the year	14.59	(5,429,400)
At 31 December		–

No share options were exercised during the year ended 31 December 2023.

The Group recognised a share option expense of RMB9,218,000 during the year ended 31 December 2023, which consisted of the expenses related to the cancellation of the 2020 Share Option Scheme.

(b) Share award plan

On 25 May 2023, China Feihe Limited, the Company's holding company, operated a new share award plan (the "**2023 Share Award Plan**"). Eligible persons of the 2023 Share Award Plan Scheme include, inter alia, any eligible person (including directors and employees) of China Feihe Limited and its subsidiaries; the holding companies, fellow subsidiaries or associated companies of China Feihe Limited; and any supplier, distributor, contractor, adviser (professional or otherwise) or consultant in any area of business or business development of any member of China Feihe Limited and its subsidiaries on a continuing and recurring basis.

The purpose of the 2023 Share Award Plan were (i) to recognise and reward the contribution of certain eligible participants to the growth and development of China Feihe Limited and its subsidiaries and to give incentives thereto in order to retain them for the continual operation and development of China Feihe Limited and its subsidiaries, and (ii) to attract suitable personnel for further development of China Feihe Limited and its subsidiaries.

26. SHARE OPTION SCHEME (Continued)

(b) Share award plan (Continued)

During the year ended 31 December 2023, two directors and certain eligible employees of the Group were entitled to incentives amounting to RMB2,755,000 and RMB8,435,000, respectively. Given certain performance targets to be achieved, the first vesting date was 24 January 2024 ("**Vesting Date**") which up to 60% of the incentives were vested, and up to 80% and 100% of the incentives were to be vested on the first and second anniversary of the Vesting Date. The incentives would be settled either by cash or shares of China Feihe Limited at each vesting date.

During the year ended 31 December 2023, management had not yet determined the settlement method and as at 31 December 2023, accrued incentives of approximate RMB6,490,000 were recognised and charged to equity as a contribution from the holding company. On 24 January 2024, 468,810 shares and 1,418,648 shares of China Feihe Limited were granted and vested to two directors and certain eligible employees with fair values amounting to RMB1,614,000 and RMB4,885,000, respectively. During the year, management determined that 20% of the determined incentives would be settled by shares, and approximately RMB2,800,000 was charged to the contribution from the holding company directly.

On 24 January 2024, 41,600 shares of China Feihe Limited were granted to employees of the Group. Given certain performance targets to be achieved, 60% of granted shares were immediately vested, and up to 80% and 100% of the incentives were to be vested on the first and second anniversary. During the year, the Group recognised an equity-settled expense of RMB58,000 related to the vested shares of China Feihe Limited.

	2024 Share awards
Outstanding at 1 January	–
Additions during the year	41,600
Less: Released in the year	(17,472)
Less: Lapsed in the year	(7,488)
Outstanding at 31 December	16,640

The fair value of a share award is based on the share price at the date of the grant. The closing price of China Feihe Limited's shares at 31 December 2024 was HKD4.27.

The weighted average remaining vesting period as at 31 December 2024 was 1.48 years.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 84 of the financial statements.

The Group's merger reserve represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

The capital reserve represents the amount of a capital contribution from Ms. Li Shuxia, the spouse of Mr. Zhao Hongliang, to YST Heilongjiang for repayment of the total indebtedness.

The other reserve represents the contributions from China Feihe Limited for the employee benefit expenses related to certain employees of the Group for their services rendered to the Group pursuant to the award plan adopted by China Feihe Limited.

28. DISPOSAL OF A SUBSIDIARY

On 30 June 2024, the Group disposed of its entire equity interests in Shaanxi Ruixiang Chengda Dairy Farming Co., Ltd* (陝西瑞祥誠達牧業有限公司), a wholly-owned subsidiary to an independent third party at an aggregate consideration of RMB50,200,000.

Analysis of assets and liabilities over which control was lost:

	Notes	***RMB'000***
Net assets disposed of:		
Property, plant and equipment	*13*	**4,865**
Trade receivables		**32**
Biological assets	*17*	**17,332**
Inventories		**1,040**
Cash and cash equivalents		**10,804**
Trade and bills payables		**(2,225)**
Other payables and accruals		**(411)**
Lease liabilities	*15*	**(315)**
The net assets disposed of		**31,122**
Gain on disposal of a subsidiary:		
Consideration		**50,200**
The net assets disposed of		**(31,122)**
Gain on disposal		**19,078**

28. DISPOSAL OF A SUBSIDIARY (Continued)

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	**50,200**
Less: Cash and cash equivalents disposed of	**(10,804)**
	39,396

* For identification purposes

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group acquired certain items of right-of-use assets, of which the considerations were settled by cash with an aggregate carrying amount of RMB6,441,000, and had non-cash additions to investment properties and lease liabilities of RMB157,059,000 and RMB157,059,000 respectively, in respect of lease arrangements for the leased land.

(b) Changes in liabilities arising from financing activities

2024

	Interest-bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2024	**1,347,676**	**206,562**
Changes from financing cash flows	**(463,407)**	**(12,715)**
Interest expense	**–**	**2,264**
Interest paid classified as operating cash flows	**–**	**(2,016)**
Disposal of a subsidiary	**–**	**(315)**
Early termination of leases	**–**	**(150,075)**
At 31 December 2024	**884,269**	**43,705**

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2023

	Interest-bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2023	836,534	112,375
Changes from financing cash flows	511,142	(53,307)
New leases	–	157,059
Interest expense	–	7,510
Interest paid classified as operating cash flows	–	(6,963)
Reassessment and revision of lease terms	–	(10,112)
At 31 December 2023	1,347,676	206,562

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Within operating activities	**2,154**	7,143
Within financing activities	**12,715**	53,307
Total	**14,869**	60,450

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 23 to the financial statements.

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024	2023
	RMB'000	*RMB'000*
Plant and machinery	**10,797**	75,465

32. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	2024	2023
	RMB'000	*RMB'000*
Sale of raw milk to the ultimate holding company	**2,397,608**	1,974,521
Research and development services provided to the ultimate holding company	**–**	283
	2,397,608	1,974,804

(b) Other transaction with related parties:

As at 31 December 2024, the vice president of the Group's fellow subsidiary (31 December 2023: Group's former chief executive officer) and his wife have provided guarantees to certain of the Group's bank loan facilities up to RMB831,000,000 (31 December 2023: RMB831,000,000), of which an amount of RMB256,655,000 (2023: RMB256,654,000) was unutilised.

(c) Outstanding balances with related parties:

The Group had an outstanding balance of contract liabilities due to China Feihe Limited (included in other payables and accruals) amounting to RMB682,635,000 as at 31 December 2024 (2023: RMB764,825,000). This balance is unsecured, interest-free and has no fixed terms of repayment.

32. RELATED PARTY TRANSACTIONS (Continued)

(d) Compensation of key management personnel of the Group is as follows:

	2024 RMB'000	2023 RMB'000
Short term employee benefits#	7,246	9,499
Post-employment benefits	720	582
Equity-settled share option expense	–	5,784
Total compensation paid to key management personnel	7,966	15,865

Included in short term employee benefits, bonus of RMB991,000 (2023: RMB3,033,000) was contributed by the ultimate holding company's share awards.

Further details of directors' and the chief executive's remuneration are included in note 8 to the financial statements.

The sale of raw milk to the ultimate holding company in respect of item (a) above also constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	35,048
Financial assets included in prepayments, other receivables and other assets	19,412
Time deposits	303,708
Restricted cash	21,807
Cash and cash equivalents	637,594
Total	1,017,569

33. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	**445,332**
Financial liabilities included in other payables and accruals	**255,799**
Interest-bearing bank borrowings	**884,269**
Lease liabilities	**43,705**
Total	**1,629,105**

2023

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	82,593
Financial assets included in prepayments, other receivables and other assets	7,258
Time deposits	70,882
Restricted cash	37,547
Cash and cash equivalents	959,068
Total	1,157,348

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	476,602
Financial liabilities included in other payables and accruals	301,176
Interest-bearing bank borrowings	1,347,676
Lease liabilities	206,562
Total	2,332,016

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank borrowings	**884,269**	1,347,676	**884,106**	1,346,980

Management has assessed that the fair values of cash and cash equivalents, time deposits, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2024 and 2023 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

	Fair value measurement			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
At 31 December 2024				
Interest-bearing bank borrowings	**–**	**884,106**	**–**	**884,106**
At 31 December 2023				
Interest-bearing bank borrowings	–	1,346,980	–	1,346,980

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2024 (2023: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (2023: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and cash equivalents, time deposits and restricted cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and bank balances and interest-bearing bank borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

	2024		2023	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** ***RMB'000***	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
RMB	**100**	**(1,262)**	100	(2,514)
HKD	**100**	**21**	100	23
USD	**100**	**66**	100	78
RMB	**(100)**	**1,262**	(100)	2,514
HKD	**(100)**	**(21)**	(100)	(23)
USD	**(100)**	**(66)**	(100)	(78)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from cash and cash equivalents and time deposits held by operating units in currencies other than the units' functional currencies. Approximately 53% (2023: 49%) of the Group's cash and cash equivalents and time deposits were denominated in currencies other than the functional currency of the operating units.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and the USD exchange rates, with all other variables held constant, of the Group's profit before tax (arising from HKD and USD denominated financial instruments).

	2024		2023	
	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax *RMB'000***	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax *RMB'000*
If RMB weakens against HKD	**3%**	**22**	3%	25
If RMB strengthens against HKD	**(3%)**	**(22)**	(3%)	(25)
If RMB weakens against USD	**3%**	**10,434**	3%	14,559
If RMB strengthens against USD	**(3%)**	**(10,434)**	(3%)	(14,559)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	35,048	35,048
Financial assets included in prepayments, other receivables and other assets					
– Normal**	19,412	–	–	–	19,412
Time deposits					
– Not yet past due	303,708	–	–	–	303,708
Cash and cash equivalents					
– Not yet past due	637,594	–	–	–	637,594
Restricted cash					
– Not yet past due	21,807	–	–	–	21,807
Total	982,521	–	–	35,048	1,017,569

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	82,593	82,593
Financial assets included in prepayments, other receivables and other assets					
– Normal**	7,258	–	–	–	7,258
Time deposits					
– Not yet past due	70,882	–	–	–	70,882
Cash and cash equivalents					
– Not yet past due	959,068	–	–	–	959,068
Restricted cash					
– Not yet past due	37,547	–	–	–	37,547
Total	1,074,755	–	–	82,593	1,157,348

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

The Group trades only with recognised and creditworthy third parties. At the end of the reporting period, the Group had certain concentrations of credit risk as 99.8% (2023: 99.8%) of the Group's trade receivables were due from the Group's two largest customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	2024			
	Within 1 year *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Lease liabilities	**14,731**	**29,692**	**919**	**45,342**
Interest-bearing bank borrowings	**503,920**	**442,366**	**–**	**946,286**
Trade and bills payables	**445,332**	**–**	**–**	**445,332**
Financial liabilities included in other payables and accruals	**255,799**	**–**	**–**	**255,799**
Total	**1,219,782**	**472,058**	**919**	**1,692,759**

	2023			
	Within 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	55,803	166,005	2,410	224,218
Interest-bearing bank borrowings	518,012	955,080	–	1,473,092
Trade and bills payables	476,602	–	–	476,602
Financial liabilities included in other payables and accruals	301,173	–	–	301,173
Total	1,351,590	1,121,085	2,410	2,475,085

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade and bills payables, and certain other payables and accruals, less cash and cash equivalents and time deposits. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2024	2023
	RMB'000	*RMB'000*
Interest-bearing bank borrowings (note 23)	**884,269**	1,347,676
Trade and bills payables (note 21)	**445,332**	476,602
Other payables and accruals	**255,799**	301,176
Less: Cash and cash equivalents (note 20)	**(637,594)**	(959,068)
Time deposits (note 20)	**(303,708)**	(70,882)
Net debt	**644,098**	1,095,504
Equity attributable to owners of the Company	**5,066,873**	4,764,841
Capital and net debt	**5,710,971**	5,860,345
Gearing ratio	**11%**	19%

36. COMPARATIVE AMOUNTS

The comparative amounts of statement of cash flows has been restated to conform with the current year's presentation and disclosures.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 *RMB'000*	2023 *RMB'000*
NON-CURRENT ASSETS		
Due from subsidiaries	**3,255,760**	3,216,055
Investments in subsidiaries	**1**	1
Total non-current assets	**3,255,761**	3,216,056
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,110**	230
Cash and cash equivalents	**75,110**	2,394
Total current assets	**76,220**	2,624
CURRENT LIABILITIES		
Due to subsidiaries	**8,558**	8,253
Other payables and accruals	**3,911**	4,104
Total current liabilities	**12,469**	12,357
NET CURRENT ASSETS/(LIABILITIES)	**63,751**	(9,733)
Net assets	**3,319,512**	3,206,323
EQUITY		
Issued capital	**37,674**	37,674
Reserves *(note)*	**3,281,838**	3,168,649
Total equity	**3,319,512**	3,206,323

Zhao Hong Liang
Director

Chen Xiang Qing
Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2023	2,977,020	–	9,660	314,799	(171,679)	3,129,800
Total comprehensive income for the year	–	–	–	45,704	(22,563)	23,141
Equity-settled share option arrangements	–	–	9,218	–	–	9,218
Contribution from the ultimate holding company	–	25,368	(18,878)	–	–	6,490
At 31 December 2023 and 1 January 2024	2,977,020	25,368	–	360,503	(194,242)	3,168,649
Total comprehensive income for the year	**–**	**–**	**–**	**118,480**	**(8,158)**	**110,322**
Contribution from the ultimate holding company	**–**	**2,867**	**–**	**–**	**–**	**2,867**
At 31 December 2024	**2,977,020**	**28,235**	**–**	**478,983**	**(202,400)**	**3,281,838**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements for the years ended 31 December 2020, 2021, 2022, 2023 and 2024 as follows:

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**2,551,898**	2,208,581	2,090,343	1,776,538	1,554,012
Profit/(loss) for the year	**296,670**	(339,699)	22,841	156,990	577,951

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**7,943,883**	8,346,978	7,941,310	6,688,315	5,783,337
Total liabilities	**(2,877,010)**	(3,582,137)	(2,853,172)	(1,635,517)	(886,841)
Total equity	**5,066,873**	4,764,841	5,088,138	5,052,798	4,896,496