



中國飛鶴有限公司

China Feihe Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6186

ANNUAL REPORT **2024**





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LENG Youbin (*Chairman & Chief Executive Officer*)
Mr. LIU Hua
Mr. CAI Fangliang
Ms. Judy Fong-Yee TU

Non-executive Directors

Mr. GAO Yu
Mr. Kingsley Kwok King CHAN
Mr. CHEUNG Kwok Wah
Mr. Maher EL-OMARI (alias: Mac)

Independent Non-executive Directors

Ms. LIU Jinping
Mr. SONG Jianwu
Mr. FAN Yonghong
Mr. Jacques Maurice LAFORGE

AUDIT COMMITTEE

Mr. FAN Yonghong (*Chairman*)
Mr. GAO Yu
Mr. Jacques Maurice LAFORGE

REMUNERATION COMMITTEE

Ms. LIU Jinping (*Chairman*)
Mr. LIU Hua
Mr. Jacques Maurice LAFORGE

NOMINATION COMMITTEE

Mr. LENG Youbin (*Chairman*)
Ms. LIU Jinping
Mr. SONG Jianwu

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. LIU Hua (*Chairman*)
Ms. Judy Fong-Yee TU
Ms. LIU Jinping

COMPANY SECRETARY

Ms. Judy Fong-Yee TU

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. LIU Hua
Ms. Judy Fong-Yee TU

PRINCIPAL BANK

China Construction Bank Corporation

Qiqihar Branch
No. 267, Yongan Avenue
Longsha District
Qiqihar
Heilongjiang
PRC

REGISTERED OFFICE

Maricorp Services Ltd.
P.O. Box 1103
George Town
Grand Cayman KY1-1102
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

C-16th Floor, Star City International Building
10 Jiuxianqiao Road
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1920, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong



Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maricorp Services Ltd.
P.O. Box 1103
George Town
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

INVESTOR RELATIONS CONTACT

Email: ir@feihe.com

CORPORATE WEBSITE

www.feihe.com

STOCK CODE

6186

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out as follows:

RESULTS

	Year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	20,748,550	19,532,203	21,310,933	22,776,265	18,592,465
Gross profit	13,764,803	12,663,353	13,950,600	16,007,589	13,480,278
Profit before tax	5,549,726	4,850,292	6,663,109	9,672,329	9,900,489
Profit for the year	3,654,120	3,290,352	4,948,106	6,914,896	7,436,632
Profit for the year attributable to owners of the parent	3,570,125	3,390,009	4,942,048	6,871,044	7,436,873
Profit/(loss) for the year attributable to non-controlling interests	83,995	(99,657)	6,058	43,852	(241)

ASSETS AND LIABILITIES

	As at 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Total assets	35,725,706	36,194,678	35,515,773	31,481,424	28,322,838
Total liabilities	(8,318,321)	(9,860,332)	(10,040,830)	(9,078,054)	(9,137,313)
Total equity	27,407,385	26,334,346	25,474,943	22,403,370	19,185,525
Non-current assets	13,477,115	13,640,407	13,286,092	11,511,786	9,778,443
Current assets	22,248,591	22,554,271	22,229,681	19,969,638	18,544,395
Current liabilities	(6,591,030)	(7,382,230)	(7,459,689)	(6,942,106)	(7,107,369)
Net current assets	15,657,561	15,172,041	14,769,992	13,027,532	11,437,026
Non-current liabilities	(1,727,291)	(2,478,102)	(2,581,141)	(2,135,948)	(2,029,944)
Total equity	27,407,385	26,334,346	25,474,943	22,403,370	19,185,525

Chairman's Statement

To our shareholders:

On behalf of the Board of Directors, I would like to present the annual report of the Company for the year ended December 31, 2024 and the outlook for 2025 to our shareholders.

REVIEW OF 2024

I. Financial Performance

From 2023 to 2024, our revenue increased from RMB19,532.2 million to RMB20,748.6 million, representing a year-on-year increase of 6.2%; our gross profit increased from RMB12,663.4 million to RMB13,764.8 million, representing a year-on-year increase of 8.7%; our net profit increased from RMB3,290.4 million to RMB3,654.1 million, representing a year-on-year increase of 11.1%.

II. Results of Operations

In the field of scientific research and innovation, China Feihe has made numerous achievements. The Company has deepened its "Brain Development" strategy and further deepened its cooperation with Harvard BCH, Peking University School of Medicine, Tsinghua Brain and Wisdom Laboratory, Jiangnan University and other top research institutions at home and abroad; released the milestone results of the 14th Five-Year Plan, which set up a mother and child health cohort covering 6 representative regions, 11 provinces and 22 cities, laying a foundation for in-depth research on breast milk in China. The Company has released the world's leading milk protein extraction technology, realizing the precise extraction and functional activation of various high-quality active milk protein raw materials, which not only promotes the independent nationalization of the production

of milk protein raw materials, but also "changes the lane to overtake" in terms of the quality of dairy products; and actively promotes the conversion of scientific research results, launching new nutritional products such as "Supernova Cheese" (Supernova 超新星乳酪) and "AIBEN Enjoy Move Functional Powder (愛本躍動蛋白營養粉)" which meets the personalized nutritional demands of the whole life cycle and leads the market to continuously improve its nutritional quality. The Company's technological innovation has been repeatedly recognized by the market. It has once again won the TPM prize, the "Nobel Prize" in the manufacturing industry, and the World Dairy Innovation Award from the Global Dairy Congress, and has also been awarded the three-star rating, the highest level of national digital transformation, making it the only company in the dairy industry to receive this highest honour.

While focusing on its own development, Feihe has always adhered to the responsibility concept of "Do your best to give back to the society" and advanced social sustainability with practical actions. In 2024, we participated in the drafting of three national standards related to "Green Manufacturing", helping the country to promote the construction of green manufacturing system; organized tens of thousands of science popularization activities on the occasion of the "5.28 Baby Day in China", protecting the growth of babies with professionalism and care; became the official partner of the Ninth Asian Winter Games, helping ignite the national ice and snow passion. Meanwhile, in 2024, we have been selected to be presented in the "2024 ESG Excellence Report" and once again ranked among the "100 Pioneers of ESG Listed Companies in China" and our achievements in ESG development have been well recognised by the society.



Chairman's Statement

III. Future Prospects

In the future, we will continue to seize development opportunities and focus on independent innovation, especially in areas such as breast milk research, brain nutrition development studies, milk protein technology, and nutrition for all age groups. We will keep making breakthroughs in these fields. In terms of product innovation, we will further advance our efforts in developing nutrition for all age groups. Our new mission and vision is using nutrition to deliver care, becoming the most reliable leader for all age groups for a smarter, healthier, and longer life for human beings. For market expansion, we will continue to empower our global research and development efforts, expand into

international markets, and enhance the global influence of the Feihe brand, making China Feihe a global brand. As we transition from family health to nutrition for all age groups, we will actively fulfill our corporate responsibilities, leading the high-quality development of China's dairy industry and contributing to the modernization of China.

Leng Youbin

Chairman

28 March 2025

Management Discussion and Analysis

INDUSTRY OVERVIEW

China has been one of the most populous countries in the world. With continued urbanization and the rise in the number of women in the workplace, an increasing number of mothers in China have grown to realize the convenience and nutritional benefits offered by infant milk formula products as a supplement to and/or substitute for breast milk for their infants. According to the National Bureau of Statistics, China's birth rate dropped from 10.48‰ in 2019 to 6.77‰ in 2024, with number of newborns declining to approximately 9.5 million in 2024. According to Frost & Sullivan, an industry consulting firm, the number of children aging from zero to three decreased accordingly from approximately 47.2 million in 2019 to approximately 28.2 million in 2024. Despite the decline from 2019 to 2024, the number of newborns is expected to improve from 2024 to 2027, thanks to the newborn supporting and subsidy measures. Due to the factors listed below, China's infant milk formula market in terms of retail sales value is expected to remain stable.

- Growth in consumers' confidence in the quality of and preference for China's infant milk formula products. With the enhancement in the quality management regime of China's dairy industry and the increased competitiveness of Chinese dairy brands, consumers' confidence in and consumption preference for China's infant milk formula products continued to increase. Such increase will drive the production and sales of China's infant milk formula products, which could in turn better satisfy consumers' diversified and unique consumption needs.
- Growth of the high-end infant milk formula segment. Due to increasing urbanization, rising disposable income and growing health awareness, the demand for high-end infant milk formula products is expected to be the driving force of the overall infant milk formula industry in China. According to the National Bureau of Statistics, China's per capita annual disposable income in 2024 reached RMB41,314, with a compound annual growth rate of 6.1% from 2019 to 2024. Such increase will in turn increase the consumption momentum of China's high-end infant milk formula products.
- Increasing urbanization and rising disposable income. The increase in the urbanization rate and the per capita annual disposable income of Chinese residents will enhance the purchasing power of consumers, allowing them to purchase more infant milk formula products. Lower-tier cities as well as rural areas in China are becoming wealthier and more urbanized, and families in such regions are increasingly able to afford higher-quality infant milk formula products. In general, these regions have larger populations and therefore higher potential for consumption growth.

Management Discussion and Analysis

- Favorable industry policies by the PRC government:
 - o The National Development and Reform Commission of China unveiled the Action Plan for the Promotion of Domestic Infant Milk Formula (國產嬰幼兒配方乳粉提升行動方案) in May 2019, aiming to increase the portion of domestically manufactured infant milk formula in China with a target to remain a 60% self-sufficient level in the industry, and to encourage the use of fresh milk in the production of infant milk formula.
 - o On 22 February 2021, a series of national safety standards on infant food and infant milk formula were released by the State Healthcare Commission, such as National Standard for Infant Formula Food Safety (GB10765-2021) (食品安全國家標準嬰兒配方食品) and National Standard for Larger Infant Formula Food Safety (GB 10766-2021) (食品安全國家標準較大嬰兒配方食品). After a transition period of two years, those standards were implemented on 22 February 2023. The new national safety standards have made stricter provisions on areas such as protein, carbohydrate, microelement, which is conducive to the innovation of leading infant milk formula enterprises and the further development of infant milk formula industry.
 - o On 20 July 2021, the State Council issued the Decision on Optimizing Birth Policy to Promote Long-term Balanced Development of Population (關於優化生育政策促進人口長期均衡發展的決定), proposing the implementation of the three-child policy and supporting measures to slow down the decline of birth rate. Later, the National Healthcare Security Administration issued the Notice on Supporting Maternity Insurance under the Three-Child Policy (關於做好支持三孩政策生育保險工作的通知), and the National People's Congress Standing Committee voted to pass the decision on amending the Law of Population and Family Planning, advocating on age-appropriate marriage and childbirth, which promotes childbirths. During the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) in March 2022, the government reported the detailed implementation plan of the three-child policy, such as increasing maternity subsidies and medical security, adjustment of personal income tax on the care for children under the age of three, and development of commonly affordable childcare services.
 - o On 12 November 2021, the State Administration for Market Regulation published the Announcement of the State Administration for Market Regulation on the Further Regulation of Labels and Identification of Infant Milk Formula Product (市場監管總局關於進一步規範嬰幼兒配方乳粉產品標籤標識的公告) (the **"SAMR Announcement"**), which made further stipulations on the characteristics, such as the label's main display layout, content claim, pattern, and feeding suggestion form. In addition, it is stipulated that if the product name refers to certain animal origin, all the milk protein raw materials in the product should come from such animal species. For compound ingredients in product ingredient list (excluding compound food additives), the original ingredients must be specified. From the date of the SAMR Announcement, the registration application for the infant formula products shall be carried out according to the stipulations contained therein. With effect from 22 February 2023, labels and markings on manufactured products shall comply with the requirements of the SAMR Announcement. Products manufactured prior to this date can be sold until the expiration of their shelf life.

Management Discussion and Analysis

- o On 10 July 2023, the State Administration for Market Regulation published the Amendment to the Measures for the Administration of Formula Registration of Infant Milk Formula Product (嬰幼兒配方乳粉產品配方註冊管理辦法), which further tightens the registration conditions of infant milk formula products and ensures the quality and food safety of infant milk formula products. The Amendment came into force on 1 October 2023.
- o In October 2024, the General Office of the State Council issued the Several Measures on Accelerating the Improvement of the Childbirth Support Policy System and Promoting the Development of a Childbirth-Friendly Society (關於加快完善生育支持政策體系推動建設生育友好型社會的若干措施). The document proposed specific measures in various aspects, including enhancing childbirth service support, strengthening the childcare service system, reinforcing support in education, housing, and employment, and fostering a childbirth-friendly social environment. These measures aimed to reduce the costs of childbirth, parenting, and education while creating a societal atmosphere that respects and supports childbirth.
- o On 14 March 2025, Hohhot officially issued and implemented the Implementing Opinions on Promoting Population Gathering and Promoting High-Quality Population Development (關於促進人口集聚推動人口高質量發展的實施意見)(the “**Opinions**”). The Opinions, in the context of the implementation of an active childbirth and parenting support policy, proposed a one-time childcare subsidy of RMB10,000 for families having one child and settling in Hohhot, RMB50,000 for families having two children and settling in Hohhot, and RMB100,000 for families having three or more children and settling in Hohhot.

BUSINESS OVERVIEW

Dairy Products

The Group's infant milk formula products are designed to closely simulate the composition of the breast milk of Chinese mothers through in-house developed formulas, with the aim of achieving an optimal balance of key ingredients for Chinese babies based on their biological constitution. The Group offers a diversified portfolio of products which caters to a wide range of customer bases at different prices. In addition to super-premium and premium series, the Group also offers a portfolio of well-known brands including the regular infant milk formula series as well as other products such as dairy products for adults and students.

Sales and Distribution Network

The Group primarily sells its products through an extensive nationwide distribution network of over 2,800 offline customers with more than 77,000 retail points of sale as at 31 December 2024. The Group's offline customers are distributors who sell its products to retail outlets as well as maternity store operators, supermarkets and hypermarket chains in some cases. Revenue generated through sales to the Group's offline customers accounted for 77.1% of its total revenue from dairy products for the year ended 31 December 2024.

To capture the rapid growth from e-commerce sales in China, particularly among younger generations of consumers, the Group's products are also sold directly on some of the largest e-commerce platforms as well as through its own website and mobile applications.



Management Discussion and Analysis

Production Capacity Improvements

The Group continued to optimize its production arrangements to increase its capacity and efficiency. As at 31 December 2024, the Group had production facilities to manufacture its products with a designed annual production capacity exceeding 365,000 tonnes in total. The Group regularly upgrades its production facilities to meet its production needs.

Marketing

The Group is a pioneer in China's infant milk formula market by positioning its brand as "Wise Babies Opt For Feihe" (聰明寶寶喝飛鶴) and has established a strong brand association with this message. The Group's innovative online and offline marketing strategies have enabled Feihe to become one of the most widely recognized and reputable infant milk formula brands among Chinese consumers today. The Group's marketing strategy consists of three key components:

- Face-to-face seminars, including Mother's Love seminars, Carnivals and Roadshows. During the year ended 31 December 2024, over 920,000 face-to-face seminars were held in total;
- Maximize online interactivity with consumers; and
- Targeted and result-driven exposure on media.

Vitamin World USA

The Group acquired the retail health care business of Vitamin World in early 2018 through Vitamin World USA Corporation ("**Vitamin World USA**"). Vitamin World USA engages in the retailing of vitamins, minerals, herbs, and other nutritional supplements. It operated 42 specialty stores across the United States of America (the "**United States**"), mostly in malls and outlet centres, and employed 199 people as at 31 December 2024. The Group also sells such products through its own website Vitamin World USA, and e-commerce platforms. Our revenue generated from nutritional supplement products was RMB172.9 million, accounting for 0.83% of the Group's total revenue for the year ended 31 December 2024.

Management Discussion and Analysis

OPERATING RESULTS AND ANALYSIS

The table below sets forth the Group's consolidated statement of profit or loss and consolidated statement of comprehensive income in amounts and as a percentage of the Group's total revenue for the years indicated, together with changes (expressed in percentages) from 2023 to 2024.

Consolidated statement of profit or loss

	Year Ended 31 December				Year-on-Year Change
	2024		2023		
	(In thousands of RMB, except percentages)				
Revenue	20,748,550	100.0%	19,532,203	100.0%	6.2%
Cost of sales	(6,983,747)	(33.7)%	(6,868,850)	(35.2)%	1.7%
Gross profit	13,764,803	66.3%	12,663,353	64.8%	8.7%
Other income and gains, net	1,465,058	7.1%	1,659,531	8.5%	(11.7)%
Selling and distribution expenses	(7,181,223)	(34.6)%	(6,709,067)	(34.3)%	7.0%
Administrative expenses	(1,681,261)	(8.1)%	(1,762,049)	(9.0)%	(4.6)%
Other expenses	(146,322)	(0.7)%	(100,862)	(0.5)%	45.1%
Finance costs	(44,646)	(0.2)%	(53,132)	(0.3)%	(16.0)%
Share of losses of associates	(8,910)	(0)%	(5,958)	(0)%	49.5%
Share of loss of a joint venture	(3,272)	(0)%	(1,450)	(0)%	125.7%
Impairment losses on property, plant and equipment and right-of-use assets	—	—	(89,812)	(0.5)%	(100)%
Changes in fair value less costs to sell of biological assets	(614,501)	(3.0)%	(750,262)	(3.8)%	(18.1)%
Profit before tax	5,549,726	26.8%	4,850,292	24.8%	14.4%
Income tax expense	(1,895,606)	(9.1)%	(1,559,940)	(8.0)%	21.5%
Profit for the year	3,654,120	17.7%	3,290,352	16.8%	11.1%
Other comprehensive (loss)/income					
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of financial statements of group companies	(84,007)	(0.4)%	153,660	0.8%	(154.7)%
Total comprehensive income for the year	3,570,113	17.3%	3,444,012	17.6%	3.7%

Management Discussion and Analysis

Revenue

The Group's revenue increased by 6.2% from RMB19,532.2 million in 2023 to RMB20,748.6 million in 2024, primarily due to the impact of the increase in awareness of brand and the growth in revenue from infant milk formula products.

The following table sets forth a breakdown of the Group's revenue by product category for the years indicated.

	Year Ended 31 December				Year-on-Year Change
	2024		2023		
	(In thousands of RMB, except percentages)				
Infant milk formula products	19,061,587	91.9%	17,876,825	91.5%	6.6%
Other dairy products*	1,514,039	7.3%	1,423,680	7.3%	6.3%
Nutritional supplement products	172,924	0.8%	231,698	1.2%	(25.4)%
Total revenue	20,748,550	100%	19,532,203	100%	6.2%

* Our other dairy products include adult milk powder, liquid milk, rice powder supplement products and other products, among others.

Cost of Sales

The Group's cost of sales increased by 1.7% from RMB6,868.9 million in 2023 to RMB6,983.7 million in 2024, primarily due to the increase in our revenue.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the Group's gross profit and gross profit margin by product category for the years indicated.

	Year Ended 31 December				Year-on-Year Change in Gross Profit
	2024		2023		
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	
	(In thousands of RMB, except percentages)				
Infant milk formula products	13,587,568	71.3%	12,411,334	69.4%	9.5%
Other dairy products	78,215	5.2%	118,830	8.3%	(34.2)%
Nutritional supplement products	99,020	57.3%	133,189	57.5%	(25.7)%
Gross profit	13,764,803	66.3%	12,663,353	64.8%	8.7%

As a result of the foregoing, the Group's gross profit increased by 8.7% from RMB12,663.4 million in 2023 to RMB13,764.8 million in 2024.

The Group's gross profit margin increased from 64.8% in 2023 to 66.3% in 2024, primarily due to changes in product structure of infant milk formula products and the decreasing costs of our raw materials.

Other Income and Gains, Net

Other income and gains, net decreased by 11.7% from RMB1,659.5 million in 2023 to RMB1,465.1 million in 2024, primarily due to a decrease in government subsidies.

Selling and Distribution Expenses

Selling and distribution expenses increased by 7.0% from RMB6,709.1 million in 2023 to RMB7,181.2 million in 2024, primarily due to the increase in publicity expenses and online sales platform expenses.



Management Discussion and Analysis

Administrative Expenses

Administrative expenses decreased by 4.6% from RMB1,762.0 million in 2023 to RMB1,681.3 million in 2024, primarily due to the decrease in share-based payment expenses.

Other Expenses

Other expenses increased by 45.1% from RMB100.9 million in 2023 to RMB146.3 million in 2024, primarily due to the increase in impairment of other receivables.

Finance Costs

Finance costs decreased by 16.0% from RMB53.1 million in 2023 to RMB44.6 million in 2024, primarily due to the decrease of the Group's interest-bearing borrowings during the 2024.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased by 14.4% from RMB4,850.3 million in 2023 to RMB5,549.7 million in 2024.

Income Tax Expense

Our income tax expense increased by 21.5% from RMB1,559.9 million in 2023 to RMB1,895.6 million in 2024 as a result of an increase in our profit before tax in 2024.

The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, was 32.2% in 2023 and 34.2% in 2024.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 11.1% from RMB3,290.4 million in 2023 to RMB3,654.1 million in 2024.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

In 2024, the Group financed its operations primarily through cash flows from operations, interest-bearing bank borrowings, and net proceeds from the global offering of the Company (the “**Global Offering**”). The Group monitors its bank balances on a daily basis and conduct monthly reviews of our cash flows. We also prepare a monthly cash flow plan and forecast, which is submitted for approval by our Chief Financial Officer and Vice President of Finance Department, to ensure that we are able to maintain an optimum level of liquidity and meet our working capital needs.

In addition, we also used cash to purchase wealth management products. The underlying financial assets of the wealth management products generally include fixed income assets and debt assets. We form our portfolio of wealth management products with the view of achieving (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential risks of such investment.

Cash and Cash Equivalents

As at 31 December 2024, the Group had cash and cash equivalents of RMB9,321.2 million, which primarily consisted of cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted for use.

Net Proceeds from the Global Offering

For net proceeds from the Global Offering, please see “Use of Net Proceeds from the Global Offering”.

Bank Borrowings

As at 31 December 2024, the Group’s interest-bearing bank borrowings were approximately RMB999.9 million.

CAPITAL STRUCTURE

As at 31 December 2024, the Group had net assets of RMB27,407.4 million, comprising current assets of RMB22,248.6 million, non-current assets of RMB13,477.1 million, current liabilities of RMB6,591.0 million and non-current liabilities of RMB1,727.3 million.

The Group’s gearing ratio was calculated by net debt divided by the capital. Net debt is calculated as interest-bearing bank borrowings, as shown in the consolidated statements of financial position less cash and bank balances. Total capital is calculated as equity holders’ funds (i.e., total equity attributable to equity holder of the Company), as shown in the consolidated statements of financial position. The Group’s gearing ratio was (0.36) as at 31 December 2023 and (0.32) as at 31 December 2024.



Management Discussion and Analysis

CASH FLOW

The Group's net cash flows from operating activities was RMB4,179.3 million in 2024, as compared with RMB4,145.3 million in 2023. The Group's net cash flows used in investing activities was RMB1,316.8 million in 2024, as compared with net cash flows from investing activities was RMB386.7 million in 2023. The Group's net cash flows used in financing activities was RMB3,031.6 million in 2024, as compared with RMB2,705.3 million in 2023.

INTEREST RATE RISK AND EXCHANGE RATE RISK

We are exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. During the year ended 31 December 2024, we have not used any derivatives to hedge interest rate risk.

We have transactional currency exposures mainly with respect to our operation of the overseas plant in Canada, which was made in Canadian dollars. During the year ended 31 December 2024, we did not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure in accordance with our plans to develop overseas business.

CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 December 2024, the capital expenditures incurred by the Group was approximately RMB1,401.6 million, primarily attributable to property, plant and equipment, investment properties and biological assets. As at 31 December 2024, the capital commitments of the Company was approximately RMB337.2 million, primarily attributable to construction of plant and purchases of item of equipment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2024, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies.

PLEDGE OF THE GROUP'S ASSETS

As at 31 December 2024, the total pledged group assets amounted to approximately RMB1,187.7 million, representing an increase of RMB768.8 million as compared with the beginning of 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 October 2019 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any contingent liabilities.

Management Discussion and Analysis

SUBSEQUENT EVENTS

The Group has no material subsequent events after 31 December 2024 as of the Latest Practicable Date.

FUTURE PROSPECTS

The Company will continue to seize development opportunities and focus on independent innovation, especially in areas such as breast milk research, brain development studies, milk protein technology, and nutrition for all age groups. We will keep making breakthroughs in these fields. In terms of product innovation, we will further advance our efforts in developing nutrition for all age groups, using nutrition to deliver care and providing consumers with more comprehensive and precise “Nutrition Support for All Age Groups”. For market expansion, we will continue to empower our global research and development efforts, expand into international markets, and enhance the global influence of the Feihe brand, making China Feihe a global brand. As we transition from family health to nutrition for all age groups, the Company will actively fulfill its corporate responsibilities, leading the high-quality development of China’s dairy industry and contributing to the modernization of China.

Standing at the new starting point of 2025, China Feihe will continue to use innovation as the engine for development, supported by solid technological strength. We will keep pouring our passion into the precise nutrition business and lead the way forward for China’s dairy industry.

Directors and Senior Management

DIRECTORS

Name	Age	Position	Date of appointment	Responsibilities
Mr. LENG Youbin (冷友斌)	56	Executive Director, Chairman, Chief Executive Officer	9 January 2013	Responsible for the overall development strategies and business plans of the Group
Mr. LIU Hua (劉華)	52	Executive Director, Vice Chairman, Chief Financial Officer	26 June 2013	Responsible for the audit, accounting and financial management of the Group
Mr. CAI Fangliang (蔡方良)	56	Executive Director, President	26 June 2013	Responsible for the overall management and business development of the Group
Ms. Judy Fong-Yee TU (涂芳而)	49	Executive Director, Vice President, Company Secretary	26 June 2013	Responsible for the international business development, capital market matters and legal affairs of the Group
Mr. GAO Yu (高煜)	51	Non-executive Director	26 June 2013	Responsible for providing strategic advice on the business development of the Group
Mr. Kingsley Kwok King CHAN (陳國勁)	48	Non-executive Director	26 June 2013	Responsible for providing strategic advice on the business development of the Group
Mr. CHEUNG Kwok Wah (張國華)	60	Non-executive Director	28 April 2019	Responsible for providing strategic advice on the business development of the Group
Mr. Maher EL-OMARI (alias: Mac)	54	Non-executive Director	28 March 2025	Responsible for providing strategic advice on the business development of the Group
Ms. LIU Jinping (劉晉萍)	53	Independent Non-executive Director	18 June 2019	Responsible for overseeing and providing independent judgment to the Board
Mr. SONG Jianwu (宋建武)	61	Independent Non-executive Director	18 June 2019	Responsible for overseeing and providing independent judgment to the Board
Mr. FAN Yonghong (范勇宏)	57	Independent Non-executive Director	18 June 2019	Responsible for overseeing and providing independent judgment to the Board
Mr. Jacques Maurice LAFORGE	69	Independent Non-executive Director	18 June 2019	Responsible for overseeing and providing independent judgment to the Board

On 27 March 2025, Mr. Maher EL-OMARI (alias: Mac) obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards to 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.

Directors Retiring by Rotation and Directors Re-election

In accordance with Article 109 of the Articles of Association, Ms. Judy Fong-Yee TU, Mr. GAO Yu, Mr. Kingsley Kwok King CHAN and Mr. FAN Yonghong will retire from office as Directors by rotation at the forthcoming annual general meeting of the Company. In addition, Mr. Maher EL-OMARI (alias: Mac), who has been appointed as a non-executive Director with effect from 28 March 2025, shall hold office until the forthcoming annual general meeting of the Company pursuant to Article 113 of the Articles of Association. All retiring Directors and Mr. Maher EL-OMARI, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Directors and Senior Management

Executive Directors

Mr. LENG Youbin (冷友斌), aged 56, is an executive Director, the chairman of the Board, the chairman of the Nomination Committee and the chief executive officer of the Company. 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 the Company since January 2013, and was re-designated as an executive Director in April 2017. He has been a non-executive director of YST since December 2020. Mr. Leng has been a director of 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 the deputy head of Zhaoguang Farm from December 1999 to December 2001. Before that, he worked in Zhaoguang Dairy from March 1987 to May 1993.

Mr. Leng has received various honors and awards. He was successively awarded titles such 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 “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 People’s Republic of China. 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 (“CPC”), the State Council and the Central Military Commission, the “Integrity Star” (誠信之星) in 2020 jointly issued by the Propaganda Department of the Central Committee of the CPC and the National Development and Reform Commission, the “Advanced Individuals Nationwide in Fighting the Coronavirus Pneumonia Epidemic” (全國抗擊新冠肺炎疫情先進個人), and “the Sixth National Outstanding Professional Technology Figures” (第六屆全國傑出專業技術人才). Mr. Leng is a representative of the National People’s Congress of the thirteenth and fourteenth sessions. 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), the vice chairman of the Federation of Industry and Commerce of Heilongjiang Province (黑龍江省工商業聯合會) and the president of the Loong General Chamber of Commerce (龍商總會).

He graduated from Northeast Agricultural University (東北農業大學) in Heilongjiang, China in July 1995 through correspondence course, and obtained an 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.



Directors and Senior Management

Mr. LIU Hua (劉華), aged 52, is an executive Director, the vice chairman of the Board, the chairman of the Environmental, Social and Governance Committee, a member of Remuneration Committee, an authorised representative under the Listing Rules and the chief financial officer of the Company. 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 the Company 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 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 the Company on the Stock Exchange in 2019. Mr. Liu has been a non-executive director of YST since December 2020.

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. CAI Fangliang (蔡方良), aged 56, is an executive Director and the President of the Company. 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 Company 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 Group and the overall management and business development of the Company. He has been a non-executive director of YST (listed on Hong Kong Stock Exchange, Stock Code: 1431) since December 2020. Before joining the 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).

Ms. Judy Fong-Yee TU (涂芳而), aged 49, is an executive Director, a member of the Environmental, Social and Governance Committee, a vice president, the company secretary and an authorised representative under the Listing Rules of the Company. She joined Feihe HLJ in October 2006 and has been a vice president of Feihe HLJ since then. She has been a Director and a vice president of the Company since June 2013, and was appointed as a joint company secretary of the Company in July 2017. She was re-designated as an executive Director in April 2017, and has been serving as the sole company secretary of the Company since 15 November 2022. Ms. Tu has been a director of Vitamin World USA since June 2018. Ms. Tu has been extensively involved in the international business development and capital market matters of the Group, including the listing of Flying Crane U.S. on the NYSE in 2009, the FCUS Privatization in 2013, the establishment of Feihe Nutrition Laboratory with Beth Israel Deaconess Medical Center of Harvard Medical School in 2014, the Group's expansion in Canada in 2015, the acquisition of the retail health care business of Vitamin World in 2018, and the listing of the Company on the Stock Exchange in 2019.

Ms. Tu obtained a bachelor's degree of arts in mass communications and political science with a minor in Asian studies from the University of California, Berkeley in the United States in May 1999, and a Juris Doctor degree from Loyola Law School in the United States in May 2006. She was admitted to the State Bar of California in December 2006 and is a licensed attorney in the State of California, the United States.

Directors and Senior Management

Non-executive Directors

Mr. GAO Yu (高煜), aged 51, has been a Director since June 2013, and was re-designated as a non-executive Director in April 2017. Mr. Gao currently acts as a member of the Audit Committee. Mr. Gao has been working in the Morgan Stanley group of companies from August 2005 to July 2022 and was a managing director of the Private Credit & Equity Division, the co-chief investment officer of Private Equity Asia and head of China Investment business, the chairman of RMB Fund's investment committee of Morgan Stanley Asia Limited as well as the member of Morgan Stanley's China Management Committee. He currently serves as an independent non-executive director of China Dongxiang (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange, Stock Code: 3818) from May 2013. Mr. Gao served as an independent non-executive director of New Sparkle Roll International Group Limited (listed on the Hong Kong Stock Exchange, Stock Code: 0970) from October 2020 to April 2024 and a director of Shandong Buchang Pharmaceuticals Co., Ltd. (山東步長製藥股份有限公司, listed on the Shanghai Stock Exchange, Stock Code: 603858) from March 2012 to June 2024. Mr. Gao also served as a non-executive director and chairman of the board of Home Control International Limited (listed on the Hong Kong Stock Exchange, Stock Code: 1747) from November 2015 to July 2022 and June 2019 to July 2022, respectively. Mr. Gao has a long history of working within the investment banking industry before joining Morgan Stanley Asia Limited.

Mr. Gao received a dual bachelor's degree in engineering and economics from the Department of Precision Instrument and Engineering (精密儀器及機械學系) and the School of Economics and Management (經濟管理學院), respectively, of Tsinghua University (清華大學) in Beijing, China in July 1997. He also obtained a master's degree in engineering-economic system and operations research from Stanford University in the United States in September 1999.

Mr. Kingsley Kwok King CHAN (陳國勁), aged 48, has been a Director since June 2013, and was re-designated as a non-executive Director in April 2017. He is the co-founder and managing director of VisionStone Investment Management (Hong Kong) Co., Ltd., which is licensed by the Hong Kong Securities and Futures Commission under the Securities and Futures Ordinance.

Previously, Mr. Chan was a managing director of the Private Credit & Equity Division of Morgan Stanley Asia Limited from May 2007 to July 2023. He held directorship in various companies invested by Morgan Stanley as its representative. Mr. Chan served as a non-executive director of IVD Medical Holding Limited (listed on the Hong Kong Stock Exchange, Stock Code: 1931) from June 2019 to August 2023, as a non-executive director of Home Control International Limited (listed on the Hong Kong Stock Exchange, Stock Code: 1747) from November 2015 to October 2023, and as a non-voting observer on the board of Yiren Digital Ltd. (宜人金科, listed on the New York Stock Exchange, NYSE: YRD) from January 2015 to October 2023.

Before joining Morgan Stanley Asia Limited, Mr. Chan worked in Credit Suisse (Hong Kong) Limited from July 2004 to April 2007 and the Asia Investment Banking Department of Citigroup Global Markets Asia Limited from September 1999 to June 2004.

Mr. Chan obtained a bachelor's degree in business economics from the University of London in the United Kingdom in July 1998 and a master's degree in philosophy from the University of Cambridge in the United Kingdom in October 1999.



Directors and Senior Management

Mr. CHEUNG Kwok Wah (張國華), aged 60, is a non-executive director of the Company and was re-designated from an executive Director to non-executive Director on 1 April 2021. From April 2019 to March 2021, he served as the Chairman of Vitamin World International and the Chairman of Vitamin World USA, and responsible for the development of the overseas infant nutrition market of the Group. He served as the chief executive officer of Zhejiang Supor Co., Ltd. (浙江蘇泊爾股份有限公司) (listed on the Shenzhen Stock Exchange, Stock Code: 002032) from April 2021 to January 2025 and an independent non-executive director of Tate & Lyle PLC (listed on the London Stock Exchange, LSE: TATE) since January 2021. Before joining the Group, Mr. Cheung held various senior positions within the Nestle Group from 2012 to 2018, including the global business head of Wyeth Infant Nutrition from 2016 to 2018, the chairman and chief executive officer of Nestle Greater China Region from 2014 to 2016, and a regional president of Wyeth Nutrition, Greater China Region from 2012 to 2014. Before that, Mr. Cheung also took the following positions within the Wyeth Nutrition, including the regional president of China and Hong Kong of Pfizer Nutritionals and the associate vice president of Wyeth Nutritional (China) Co., Ltd. Mr. Cheung worked at the Coca-Cola China Company Limited, a subsidiary of The Coca-Cola Company (listed on the New York Stock Exchange, Stock Code: KO) from 1997 to 2004 and was appointed as the vice president and director of Strategic Marketing of Coca-Cola in 2000. Before that, Mr. Cheung worked in the marketing department of Procter & Gamble (listed on the New York Stock Exchange, Stock Code: PG) until 1996.

Mr. Cheung obtained an honours bachelor's degree of social science from the Chinese University of Hong Kong in 1987, and an MBA degree from Kelley School of Business in Indiana University in the United States in 1989.

Mr. Maher EL-OMARI (alias: Mac), aged 54, was appointed as a non-executive Director in March 2025. He worked at J.P. Morgan from 1992 to August 2021, during which, he served as the vice chairman of Global Investment Banking, Asia Pacific, from May 2017 to August 2021. After that, he co-founded 6E Capital in August 2021.

Mr. El-Omari obtained an honours bachelor's degree in mathematics and economics from Fordham University in the United States in 1992.

Independent Non-executive Directors

Ms. LIU Jinping (劉晉萍), aged 53, was appointed as an independent non-executive Director in June 2019, with effect from October 2019. Ms. Liu currently acts as the chairlady of the Remuneration Committee, a member of the Nomination Committee, and a member of the Environmental, Social and Governance Committee. Ms. Liu has been an independent non-executive director of YST since December 2020. Ms. Liu is currently 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 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.

Directors and Senior Management

Mr. SONG Jianwu (宋建武), aged 61, was appointed as an independent non-executive Director since in June 2019, with effect from October 2019. Mr. Song currently acts as a member of the Nomination Committee. Mr. Song has been a professor and doctoral supervisor of Renmin University of China (中國人民大學) since August 2015. Before that, he served in several positions in China University of Political Science and Law (中國政法大學), including the director of the School of Journalism and Communication from October 2008 to March 2013 and a deputy director of the School of Humanities from January 2006 to October 2008.

Mr. Song served as an independent director of Shenzhen Topway Video Communication Co., Ltd. (深圳天威視訊股份有限公司, listed on the Shenzhen Stock Exchange, Stock Code: 002238) from September 2014 to December 2020. He serves as an independent director of Shaanxi Broadcast & TV Network Intermediary (Group) Co., Ltd. (陝西廣電網絡傳媒(集團)股份有限公司, listed on the Shanghai Stock Exchange, Stock Code: 600831) since September 2022 and an independent director of Beijing Baination Pictures Co., Ltd. (北京百納千成影視股份有限公司, listed on the Shenzhen Stock Exchange, Stock Code: 300291) since March 2023. He is now an executive council member of Beijing Internet Association (首都互聯網協會).

Mr. Song received a bachelor's degree in journalism and a doctorate degree in communication from Renmin University of China in Beijing, China in July 1984 and June 2005, respectively. He obtained the qualification certificate of independent directors from the Shanghai Stock Exchange in August 2011.

Mr. FAN Yonghong (范勇宏, former name: 范永紅), aged 57, was appointed as an independent non-executive Director in June 2019, with effect from October 2019. Mr. Fan currently acts as the chairman of the Audit Committee. He has extensive experience in financial management. Mr. Fan served as an independent director and a member of the audit committee of Yintech Investment Holdings Limited (銀科投資控股有限公司, listed on the Nasdaq Stock Exchange, Stock Code: YIN) from May 2018 to November 2020, and is responsible for, among other things, reviewing the financial statements of Yintech Investment Holdings Limited. Mr. Fan has been an independent director and a member of the Audit committee, Compensation Committee and Nominating and Corporate Governance Committee of Puxin Limited (listed on the New York Stock Exchange, Stock Code: NEW) from June 2019 to April 2022. Mr. Fan used to serve as the general manager of Hongshi Capital Management Co., Ltd., (宏實資本管理有限公司) and is responsible for, among other things, overseeing the overall financial performance of the company since March 2016. He also held various management positions in China Construction Bank Corporation (中國建設銀行) and Huaxia Securities Co., Ltd. (華夏證券股份有限公司) from 1988 to 1998. Mr. Fan served as the general manager of China Asset Management Co., Ltd. (華夏基金管理有限公司) and then the chairman of the board of China Asset (Hong Kong) Co., Ltd. (華夏基金(香港)有限公司) from 1998 to 2013. Mr. Fan served as the chief investment officer (首席投資執行官) of China Life Asset Management Company Limited (中國人壽資產管理有限公司) from December 2013 to April 2015. Mr. Fan has also accumulated extensive experience in financial management (including reviewing financial statements) during his work as the general manager of China Asset Management Co., Ltd. and the chief investment officer of China Life Asset Management Company Limited.

Mr. Fan served as the vice chairman of Asset Management Association of China (中國證券投資基金業協會) from 2007 to 2011 and a member of the third and fourth sessions of Issuance Examination Committee of China Securities Regulatory Commission (中國證券監督管理委員會發行審核委員會) from 1997 to 2001, where he was involved in the review of listing applications from all aspects (including financial) of PRC companies.

Mr. Fan graduated from the Postgraduate Department of Institute of Fiscal Finance under the Ministry of Finance (財政部財政科學研究所, renamed as Chinese Academy of Fiscal Sciences (中國財政科學研究院) in 2016) in July 1998 and obtained a doctor's degree in economics. Mr. Fan currently serves as an external postgraduate supervisor (外聘研究生導師) of Chinese Academy of Fiscal Sciences.

Directors and Senior Management

Mr. Jacques Maurice LAFORGE, aged 69, was appointed as an independent non-executive Director in June 2019, with effect from October 2019. Mr. Laforge currently acts as a member of the Audit Committee and a member of the Remuneration Committee. He has extensive experience in Canadian dairy industry. He was the chief executive officer and commissioner with Canadian Dairy Commission from February 2012 to May 2018. Before that, he served in Dairy Farmers of Canada, a non-profit organization funded by dairy farmers from January 1989 to July 2011 at several positions, including a board member from January 1989 to August 1999, a member of executive committee from August 1999 to March 2001, the second vice president from March 2001 to August 2003, the first vice president from August 2003 to August 2004 and the president from August 2004 to July 2011. Mr. Laforge currently serves as the president of Laforge Environmental Inc. and Laforge Holsteins Ltd., a waste to energy facilities and mixed farming operation located in Canada.

Mr. Laforge obtained a high school diploma from Polyvalente Thomas Albert in June 1973. He was awarded the New Brunswick Innovation Recognition Award for Small Business and the Order of New Brunswick in October 2011, and the Queen Elizabeth II Diamond Jubilee Medal in 2012.

Save as disclosed in this annual report, no Directors or members of our senior management held any directorship positions in any other listed companies within the three years immediately preceding the Latest Practicable Date, and there is no other information relating to our Directors or members of our senior management that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Group	Responsibilities
Mr. LENG Youbin (冷友斌)	56	Executive Director, Chairman, Chief Executive Officer	21 August 1996	Responsible for the overall development strategies and business plans of the Group
Mr. LIU Hua (劉華)	52	Executive Director, Vice Chairman, Chief Financial Officer	6 November 2000	Responsible for the audit, accounting and financial management of the Group
Mr. CAI Fangliang (蔡方良)	56	Executive Director, President	22 November 2010	Responsible for the overall management and business development of the Group
Ms. Judy Fong-Yee TU (涂芳而)	49	Executive Director, Vice President, Company Secretary	1 October 2006	Responsible for the international business development, capital market matters and legal affairs of the Group

For the biography of the senior management, please refer to “Directors” in this section.

COMPANY SECRETARY

Ms. Judy Fong-Yee TU

For the biography of Ms. Judy Fong-Yee TU, please refer to “Directors” in this section.

Report of the Directors

The Board is pleased to present this annual report and the audited financial statements of the Group for the year ended 31 December 2024.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 26 October 2012 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on 13 November 2019 through the Global Offering. For details of the Global Offering, please refer to the Prospectus.

PRINCIPAL BUSINESSES AND ACTIVITIES

The Group primarily produces and sells a broad range of infant formula products, as well as other products to a lesser extent. The infant formula products are grouped into two main product categories, namely, high-end infant formulas and regular infant formulas in order to satisfy various demands of our customers. The Group also manufactures and sells a range of adult milk powders, liquid milk products and health care products. There were no significant changes in the nature of the Group's activities during the year ended 31 December 2024.

BUSINESS REVIEW AND PROSPECT

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the "Management Discussion and Analysis" section. Particulars of important events affecting the Group that have occurred since the end of the financial year are provided in the "Management Discussion and Analysis" section. An analysis of the Group's performance during the year using financial key performance indicators and details of the capital structure of the Company are provided in the "Management Discussion and Analysis" section.

In addition, information of the Company's environmental policies and performance can be found in the section headed "Environmental Policies and Performance" of this report of the Directors. The Company's compliance with relevant laws and regulations which have a significant impact on the Group are provided in the section headed "Compliance with Laws and Regulations" of this report of the Directors. The description of possible risks and uncertainties facing the Group is set out in the section headed "Principal Risks and Uncertainties" of this report of the Directors. An account of the Company's relationship with its employees, customers, and suppliers is disclosed in the section headed "Relationship with Stakeholders" of this report of the Directors.



Report of the Directors

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 75.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in “Management Discussion and Analysis” of this annual report on pages 7 to 17.

DIVIDEND POLICY

The Company intends to distribute to the Shareholders no less than 30% of the net profit for each financial year going forward after Listing, subject to the future investment plans of the Company. The Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Shareholders at a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by the Board. In addition, the Directors may from time to time pay such interim dividends as the Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. The future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Future dividend payments will also depend upon the availability of dividends received from the subsidiaries of the Company in the PRC. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the subsidiaries of the Company in the PRC may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or the subsidiaries of the Company in the PRC may enter into in the future.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK\$0.1632 per share of the Company for the year ended 31 December 2024 (the **"2024 Final Dividend"**) with an aggregate amount of approximately HK\$1,479,775,000 (equalling approximately RMB1,366,120,000) to the Shareholders whose names are listed on the Company's register of members as at 5 June 2025 (except for the holders of treasury shares, if any), subject to the approval by the Shareholders at the forthcoming annual general meeting of the Company (the **"AGM"**). The 2024 Final Dividend is based on our dividend policy set out in the Prospectus of intending to distribute no less than 30% of our net profit for each financial year, which consists of 30% of our profit for the six months ended 31 December 2024 and an additional over 50% of our profit for the six months ended 31 December 2024, totalling over 80% of our profit for the six months ended 31 December 2024 in RMB denomination being converted into Hong Kong dollar denomination based on the average central parity rate of RMB to Hong Kong dollar as announced by the People's Bank of China for the five business days prior to 28 March 2025. For the avoidance of doubt, such profit for the six months ended 31 December 2024 does not include the profit/loss of YuanShengTai Dairy Farm Limited. The 2024 Final Dividend will be declared and paid in Hong Kong dollars. Once the relevant resolution is passed at the AGM, the 2024 Final Dividend is expected to be paid on or around 16 June 2025. The Company also paid an interim dividend of HK\$0.1632 per share of the Company with an aggregate amount of approximately HK\$1,479,775,000 (equalling approximately RMB1,351,924,000) in September 2024.

We intend to maintain our dividend policy of distributing no less than 30% of our total net profit for each financial year to our Shareholders going forward, subject to our future investments plans.

The Company was not aware of any Shareholders who had waived or agreed to waive any dividend arrangement during the Reporting Period.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on 29 May 2025, for considering, among other things, the 2024 Final Dividend. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the Articles of Association and the Listing Rules in due course. In order to ascertain Shareholders' entitlement to attend and vote at the AGM and to the proposed 2024 Final Dividend, the register of members of the Company will be closed from 26 May 2025 to 29 May 2025 (both days inclusive) and from 4 June 2025 to 5 June 2025 (both days inclusive) respectively, during which periods no transfer of Shares will be registered.

In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 May 2025. Shareholders whose names appear on the register of members of the Company on 29 May 2025 will be entitled to attend and vote at the AGM.

In order to qualify for the 2024 Final Dividend (subject to the approval by Shareholders at the AGM), all transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration no later than 4:30 p.m. on 3 June 2025. The 2024 Final Dividend will be paid to the Shareholders whose names are listed on the Company's register of members on 5 June 2025.



Report of the Directors

SHARE CAPITAL

As at 31 December 2024, the authorised share capital of the Company was US\$50,000, divided into 2,000,000,000,000 shares of US\$0.000000025 each. Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. FAN Yonghong, Mr. GAO Yu and Mr. Jacques Maurice LAFORGE. Mr. FAN Yonghong is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's 2024 annual results announcement, this annual report and the audited financial statements of the Group prepared in accordance with the IFRSs for the year ended 31 December 2024.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out in the note 43 to the consolidated financial statements and the consolidated statement of changes in equity on pages 179 and 79, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the amount of reserves available for distribution of the Company was approximately RMB13,172.6 million, of which RMB1,366.1 million has been proposed as final dividend for the year.

DONATIONS

During the year ended 31 December 2024, the Group made charitable donations of approximately RMB26.4 million.

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2024 are set out in note 31 to the consolidated financial statements.

Report of the Directors

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 13 November 2019 and the net proceeds raised from the Global Offering were approximately HK\$6,554.7 million. During the Reporting Period, there was no change in the intended use of net proceeds as disclosed in the Prospectus.

The following table sets forth a breakdown of the utilization of the net proceeds as at 31 December 2024.

Intended use of proceeds	Initial intended allocation (HK\$ million)	Utilized amount for the year ended 31 December 2024 (HK\$ million)	Unutilized amount as at 31 December 2024 (HK\$ million)	Expected timeline for utilizing the remaining proceeds ⁽¹⁾
Repayment of offshore debts	2,621.9	–	208.3	Before 31 December 2025
Potential merger and acquisition opportunities	1,310.9	–	–	–
Operation of the Company's Kingston Plant	655.5	103.2	471.7	Before 31 December 2025
Research and development activities of overseas infant milk formula and nutritional supplement products	655.5	–	655.5	Before 31 December 2025
Expansion of Vitamin World USA operations	327.7	–	–	–
Marketing initiatives	327.7	74.2	152.1	Before 31 December 2025
Working capital and general corporate purposes	655.5	–	0.5	Before 31 December 2025
	6,554.7	177.4	1,488.1	

Note:

- (1) The Company expects that part of net proceeds will be delayed by two year from the expected time. The delay is mainly due to the macroeconomic environment in the PRC being affected by social and economic factors, in particular, changes in the market environment of the infant formula industry in the PRC.

For the unutilized amounts of HK\$1,488.1 million as at 31 December 2024, the Company will bring them forward from prior year and apply the remaining net proceeds in the manner set out in the Prospectus. It is expected that the remaining net proceeds from the Global Offering will be fully utilized by 31 December 2025.



Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for 25.8% of the Group's total purchases. In addition, purchases from the Group's single largest supplier accounted for 14.0% of the Group's total purchases during the same period.

For the year ended 31 December 2024, the Group's five largest customers accounted for 13.9% of the Group's total revenue. In addition, the revenue from the Group's single largest customer accounted for 9.5% of the Group's total revenue during the same period.

During the year ended 31 December 2024, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders (which, to the knowledge of the Directors, owned more than 5% of the number of issued Shares of the Company) had interests in the five largest suppliers or customers of the Company.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL

During the Reporting Period, we invested in wealth management products to preserve the time value of our cash reserves. For details, please refer to the announcements of the Company dated 13 March 2024, 11 April 2024, 25 June 2024, 26 June 2024, 25 July 2024, 29 July 2024, 31 July 2024, 1 November 2024, 12 November 2024, 2 December 2024, 9 December 2024, 20 December 2024 and 30 December 2024.

For the Company's investment strategies in relation to wealth management products, please refer to the section headed "Management Discussion and Analysis — Liquidity and Capital Resources".

Save as disclosed in this annual report, the Company did not have any significant investment, acquisition and disposal for the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Company are set out in note 14 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Gao Yu resigned as the independent non-executive director of New Sparkle Roll International Group Limited (listed on the Hong Kong Stock Exchange, Stock Code: 0970) and the director of Shandong Buchang Pharmaceuticals Co., Ltd. (山東步長製藥股份有限公司, listed on the Shanghai Stock Exchange, Stock Code: 603858) in April 2024 and June 2024, respectively. Mr. Cheung Kwok Wah resigned as the chief executive officer of Zhejiang Supor Co., Ltd. (浙江蘇泊爾股份有限公司) (listed on the Shenzhen Stock Exchange, Stock Code: 002032) in January 2025.

Save as disclosed above, during the Reporting Period and as at the Latest Practicable Date, there was no change in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

During the Reporting Period, the Board comprised eleven Directors in total. On 28 March 2025, Mr. Maher El-Omari (alias: Mac) was appointed as a non-executive Director of the Company with effect from the same date. There are four members of senior management of the Company, including Mr. LENG Youbin, Mr. LIU Hua, Mr. CAI Fangliang and Ms. Judy Fong-Yee TU.

Information about the details of the Directors and senior management of the Company is set out in the section headed "Directors and Senior Management".

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

SERVICE CONTRACTS OF DIRECTORS

The Company has entered into a letter of appointment with each of the Directors for a term of three years, which may be terminated pursuant to relevant terms of the respective letter of appointment.

None of the Directors has entered into any service contract with the Company or any of its subsidiaries which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, (i) there were no other transactions, arrangements or contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors or its connected entities had, directly or indirectly, a material interest at any time during the Reporting Period; (ii) there were no contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries at any time during the Reporting Period; and (iii) there were no contracts of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

INTERESTS OF DIRECTORS IN BUSINESSES COMPETING WITH THE COMPANY

The Directors have confirmed that other than the business of the Group, none of the Directors holds any interest in business which directly or indirectly competes or is likely to compete with the business of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register kept by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Report of the Directors

(i) Interest in Shares/derivative shares of the Company

Name of Director/ Chief Executive	Nature of interest	Capacity	Long position/ Short position	Number of Shares/ derivative shares	Approximate Percentage of shareholding in the Company ⁽¹⁾
LENG Youbin	Corporate interest	Interest of controlled corporation	Long	587,516,458 ⁽²⁾	6.48%
	Other interest	Founder of a discretionary trust	Long	3,889,911,881 ⁽³⁾	42.90%
LIU Hua	Other interest	Founder of a discretionary trust	Long	345,681,920 ⁽⁴⁾	3.81%
CHEUNG Kwok Wah	Beneficial interest	Beneficial owner	Long	326,000 ⁽⁵⁾	0.00%
CAI Fangliang	Corporate interest	Interest of controlled corporation	Long	101,647,734 ⁽⁶⁾	1.12%
Judy Fong-Yee TU	Other interest	Founder of a discretionary trust	Long	23,717,804 ⁽⁷⁾	0.26%
	Beneficial interest	Beneficial owner	Long	104,762 ⁽⁷⁾	0.00%
GAO Yu	Beneficial interest	Beneficial owner	Long	7,536,151 ⁽⁸⁾	0.08%
Kingsley Kwok King CHAN	Beneficial interest	Beneficial owner	Long	3,368,918 ⁽⁹⁾	0.04%

Notes:

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at 31 December 2024 (i.e. 9,067,251,704 Shares).
- (2) 587,516,458 Shares were held by Mr. Leng Youbin through his controlled corporation – Dasheng Limited. Two-thirds of the equity interests in Dasheng Limited were held directly by Mr. Leng.
- (3) 3,889,911,881 Shares were held by Harneys Trustees Limited as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited, which in turn holds the entire issued share capital of Garland Glory Holdings Limited. Leng Family Trust was established by Mr. Leng Youbin as the settlor and the only discretionary object. Mr. Leng Youbin deemed to be interested in 3,889,911,881 Shares held by Garland Glory Holdings Limited by virtue of the SFO.
- (4) 345,681,920 Shares were held by Harneys Trustees Limited as the trustee of LH Family Trust, which in its capacity as trustee holds the entire issued share capital of RL Equity LLC, which in turn holds the entire issued share capital of LH Financial Holding Limited. LH Family Trust was established by Mr. Liu Hua 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 Holding Limited by virtue of the SFO.
- (5) 326,000 Shares were held by Mr. Cheung Kwok Wah as beneficial owner.
- (6) 101,647,734 Shares were held by Mr. Cai Fangliang through his controlled corporation – Adroit Shipping Limited. Adroit Shipping Limited is directly wholly owned by Mr. Cai Fangliang.
- (7) 23,717,804 Shares were held by the J.T. Living Trust, which was established by Ms. Judy Fong-Yee Tu as the settlor and the only discretionary object. Ms. Judy Fong-Yee Tu was deemed to be interested in the 23,717,804 Shares by virtue of the SFO. 104,762 Shares were held by Ms. Judy Fong-Yee Tu as beneficial owner.
- (8) 7,536,151 Shares were held by Mr. Gao Yu, which was the result of the distribution of shares or interests of the Company from each of Morgan Stanley Private Equity Asia III, LLC and Morgan Stanley Private Equity Asia Fund III from 11 October 2022 and up until 31 December 2024.
- (9) 3,368,918 Shares were held by Mr. Kingsley Kwok King Chan, which was the result of the distribution of shares or interests of the Company by each of Morgan Stanley Private Equity Asia, Morgan Stanley Private Equity Asia Fund III and North Haven Private Equity Asia III, L.P. from 10 October 2022 and up until 31 December 2024.

Report of the Directors

(ii) Interest in associated corporations

Name of Director/ Chief Executive	Nature of interest	Capacity	Associated corporation	Number of ordinary shares	Percentage of shareholding in the associated corporation
Cai Fangliang	Beneficial interest	Beneficial owner	Jilin Green Energy Ecological Livestock Co., Limited ⁽¹⁾	N/A ⁽²⁾	7.66%

Notes:

- (1) Jilin Green Energy Ecological Livestock Co., Limited is held as to 40% by the Company and therefore is an associated corporation of the Company under the SFO.
- (2) Jilin Green Energy Ecological Livestock Co., Limited is a limited liability company incorporated in the PRC and does not issue any shares.

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executive of the Company have any interest in the Shares or debentures of the Company or any interests in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which: (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at 31 December 2024, neither the Directors nor chief executive of the Company have any short position in the Shares or debentures of the Company, or in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO).

Report of the Directors

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 December 2024, the following persons (other than the Directors and chief executive of the Company) had interest or short positions in the Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required, pursuant to Section 336 of the SFO, to be recorded in the register kept by the Company:

Name of shareholder	Capacity	Long position/ Short position	Number of Shares/ derivative shares	Percentage of shareholding in the Company ⁽¹⁾
Harneys Trustees Limited	Trustee of a trust	Long	4,461,740,357 ⁽²⁾	49.21%
LYB International Holding Limited	Interest in a controlled corporation	Long	3,889,911,881 ⁽²⁾	42.90%
Garland Glory Holdings Limited	Beneficial owner	Long	3,889,911,881 ⁽²⁾	42.90%
Mr. Liu Shenghui	Interest in a controlled corporation and founder of a discretionary trust	Long	813,663,014 ⁽³⁾	8.97%
Dasheng Limited	Beneficial owner	Long	587,516,458 ⁽⁴⁾	6.48%

Notes:

- (1) The percentage has been computed based on the total number of Shares of the Company in issue as at 31 December 2024 (i.e. 9,067,251,704 Shares).
- (2) Harneys Trustees Limited is deemed to be interested in 4,461,740,357 Shares in aggregate by virtue of the SFO:
 - (a) 3,889,911,881 Shares were held by Harneys Trustees Limited as the trustee of Leng Family Trust, which in its capacity as trustee holds the entire issued share capital of LYB International Holding Limited, which in turn holds the entire issued share capital of Garland Glory Holdings Limited. Leng Family Trust is a discretionary trust established by Mr. Leng as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 3,889,911,881 Shares directly held by Garland Glory Holdings Limited;
 - (b) 345,681,920 Shares were held by Harneys Trustees Limited, the trustee of LH Family Trust, 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 Family Trust is a discretionary trust established by Mr. Liu Hua as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 345,681,920 Shares directly held by LH Financial Holding Limited; and
 - (c) 226,146,556 Shares were held by Harneys Trustees Limited, the trustee of Liu Family Trust, in its capacity as trustee holds the entire issued share capital of LSH International Holding Limited, which in turn holds the entire issued share capital of LSH Investment Holding Limited. Liu Family Trust is a discretionary trust established by Mr. Liu Shenghui as the settlor and the only discretionary object. Accordingly, Harneys Trustees Limited is deemed to be interested in 226,146,556 Shares directly held by LSH Investment Holding Limited.
- (3) 813,663,014 Shares include 226,146,556 Shares held by Harneys Trustees Limited as trustee (as described in note (2c) above) and 587,516,458 Shares through Mr. Liu Shenghui's controlled corporation – Dasheng Limited (as described in note (4) below).
- (4) Dasheng Limited holds 587,516,458 Shares. Mr. Leng holds two-thirds of and Mr. Liu Shenghui holds one-third of the equity interests in Dasheng Limited. Therefore, Mr. Leng and Mr. Liu Shenghui are deemed to be interested in the Shares directly held by Dasheng Limited.

Report of the Directors

Save as disclosed above, as at 31 December 2024, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DEBENTURE ISSUED

The Company has not issued any debentures during the year ended 31 December 2024.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any of its associated corporations were granted to any Directors or their respective spouse or children under 18 years of age and no such rights have been exercised by them during the year ended 31 December 2024. Neither the Company nor any of its subsidiaries were a party to any arrangements to enable any Directors or their respective spouses or children under the age of 18 years to acquire such rights from the Company or any other body corporate.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, the Company did not enter into any equity-linked agreement during the year ended 31 December 2024.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force during the year ended 31 December 2024.

The Company has maintained appropriate liability insurance for its Directors and senior management during the Reporting Period.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance or guarantee to its affiliated companies during the Reporting Period, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling Shareholder nor breach the terms of any loan agreements that are significant to its operations during the Reporting Period.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 14 October 2019 and a summary of the principal terms of the Pre-IPO Share Option Scheme is set out as below.



Report of the Directors

Purposes

The purposes of the Pre-IPO Share Option Scheme are to: (i) replace the DIF Share Option Schemes; (ii) attract and retain the best available personnel for positions of substantial responsibility; (iii) provide additional incentive to the Directors and employees of the Group (the “**Employee(s)**,” together with the Directors, the “**Service Providers**”); and (iv) promote the success of the business of the Group.

Participants

A grant of the option (the “**Option**”) under the Pre-IPO Share Option Scheme (the “**Award**”) may be made to the Service Providers selected by the Board (including any committee of Directors or of other individuals appointed by the Board or by the compensation committee of the Board satisfying relevant requirements of applicable laws) of the Company (the “**Administrator**”). A holder of an outstanding Award will be a participant (the “**Participant**”) under the Pre-IPO Share Option Scheme. For the avoidance of doubt, Awards may be granted to any holder of the outstanding DIF Share Options, who is a company wholly owned, directly or indirectly, by (i) one or more Service Providers or (ii) any trusts, if all of the beneficiaries consist only of the Service Providers (in the case of a discretionary trust, all discretionary objects consist only of the Service Providers).

Maximum Number of Shares in Respect of Which Awards May Be Granted

The maximum number of the Shares that may be subject to Awards and issued under the Pre-IPO Share Option Scheme at the date of approval of the scheme is 190,190,704, representing approximately 2.10% of the total number of the issued shares of the Company as at the date of this annual report. On 29 September 2022, Dasheng Limited exercised all of the Pre-IPO Share Options granted for a total of 190,190,704 Shares.

Grant of Options

Subject to the terms and provisions of the Pre-IPO Share Option Scheme, the Administrator may grant Options in such amounts as the Administrator, in its sole discretion, will determine; provided that, no Option authorized by the Pre-IPO Share Option Scheme shall be granted upon and following the Listing.

The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

Exercise Price

The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be determined by the Administrator, provided that such exercise price shall be no less than one hundred percent of the fair market value (the “**Fair Market Value**”) per Share on the date of grant. For the avoidance of doubt, for the per Share exercise price for the Shares to be issued upon the exercise of an Option granted in order to replace the existing DIF Share Options as at the date of adoption of the Pre-IPO Share Option Scheme, the relevant Fair Market Value per Share shall be with reference to that of the respective date of grant of such outstanding DIF Share Options.

Duration of Pre-IPO Share Option Scheme

Unless sooner terminated in accordance with the terms of the Pre-IPO Share Option Scheme, it will continue in effect for a term of seven years from the effective date. The term of each Option will be stated in the Award Agreement and will be no more than five years from the date of grant thereof.

Time of Vesting and Exercise of Options

Any Option granted will be exercisable according to the terms of the Pre-IPO Share Option Scheme and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

In respect of any particular Option, the exercise period shall commence on the later of:

- (1) the business day immediately following the expiry of six months from the Listing Date, or
- (2) where the exercise of such Option is subject to any performance target being met, the date of such performance target being proved (to the reasonable satisfaction of the Administrator) to have been met.

Details of the Options Granted and Exercised under the Pre-IPO Share Option Scheme

All the Pre-IPO Share Options representing 190,190,704 Shares were granted to Dasheng Limited on 14 October 2019 under the Pre-IPO Share Option Scheme with a term of five years. Dasheng Limited is not required to pay for the grant of any Pre-IPO Share Option. On 29 September 2022, Dasheng Limited exercised all of the Pre-IPO Share Options granted for a total of 190,190,704 Shares. There was no outstanding Pre-IPO Share Option available for grant under the Pre-IPO Share Option Scheme at the beginning and at the end of the Reporting Period.

During the Reporting Period, no option was granted under the Pre-IPO Share Option Scheme, and none of the options granted under the Pre-IPO Share Option Scheme had been cancelled or lapsed.

Further details of the Pre-IPO Share Option Scheme are set out in appendix IV to the Prospectus.

2020 SHARE OPTION SCHEME

The Company adopted the 2020 Share Option Scheme on 22 June 2020 and a summary of the principal terms of the 2020 Share Option Scheme is set out as below.

Purposes

The purposes of the 2020 Share Option Scheme are (i) to attract and retain skilled and experienced personnel for positions of substantial responsibility, (ii) to provide additional incentive to directors of the Company and its subsidiaries, key employees and other stakeholders of the Group, and (iii) to promote the success of the Company's business.



Report of the Directors

Participants

Participants (the “**Participants**”) include:

- (a) any Eligible Employee;
- (b) any director (including executive director, non-executive director and independent non-executive director) of the Company or the subsidiaries; and
- (c) any consultant, adviser, agent, business partner, joint venture partner, service provider, contractor of the Company or the subsidiaries.

The basis of eligibility of any of the class of Participants to the grant of any 2020 Share Options shall be determined by the Board from time to time.

Maximum Number of Shares in Respect of Which Awards May Be Granted

The maximum number of the Shares that may be subject to awards and issued under the 2020 Share Option Scheme at the date of approval of the scheme is 134,000,100, representing approximately 1.48% of the total number of the issued shares of the Company as at the date of this annual report.

Maximum Entitlement of Each Participant under the 2020 Share Option Scheme

The total number of Shares issued and to be issued upon exercise of the 2020 Share Options granted to each eligible Participant (including exercised, cancelled and outstanding 2020 Share Options) in any 12-month period shall not exceed 1% of the Shares in issue.

Grant of 2020 Share Options

On and subject to the terms of the 2020 Share Option Scheme and the Listing Rules, the Board shall be entitled at any time within ten (10) years after 22 June 2020 to offer to grant to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an 2020 Share Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (the “**Offer**”).

An Offer shall be made to a Participant by an Offer Letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the 2020 Share Option on the terms on which it is to be granted and to be bound by the terms of the 2020 Share Option Scheme and any other terms and conditions as contained in the Offer Letter and shall remain open for acceptance by the Participant concerned for such time to be determined by the Board, provided that no such Offer shall be open for acceptance after the expiry of ten (10) years after 22 June 2020 or after the 2020 Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant to whom the Offer is made has ceased to be a Participant. The Offer Letter shall specify the terms on which the 2020 Share Option is to be granted.

Report of the Directors

An Offer shall be deemed to have been accepted and the 2020 Share Option to which such Offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the Grantee, together with the payment of HK\$1.00 to the Company as the consideration for the grant thereof is received by the Company. Such payment shall in no circumstances be refundable. Once accepted, the 2020 Share Option is granted as from the Offer Date.

Exercise of Options

A 2020 Share Option may, subject to the terms and conditions upon which such 2020 Share Option is granted, be exercised in whole or in part in the manner as set out below by the Grantee (or, as the case may be, his or her legal personal representative(s)) giving notice in writing to the Company stating that the 2020 Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given. The aggregate Subscription Price shall be paid by cash, cheque or any other means deemed acceptable by the Board. Any exercise of a 2020 Share Option by a Grantee shall be subject to the applicable laws, regulations, rules and requirements of any relevant country or jurisdiction. Within ten (10) business days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the auditor or the independent financial adviser retained by the Company, the Company shall allot and issue, and shall instruct the share registrar to issue, the relevant Shares to the Grantee (or his or her legal personal representative(s)) credited as fully paid and issue to the Grantee (or his or her legal personal representative(s)) a share certificate in respect of the Shares so allotted. Subject to the terms and conditions upon which such 2020 Share Option was granted and any restrictions applicable under the Listing Rules, an 2020 Share Option may be exercised by the Grantee (or their legal personal representatives) at any time during the Option Period, provided that it satisfies the requirements as set out in the supplemental circular of the Company dated 5 June 2020.

Vesting Period

The Options shall vest on the vesting date as determined by the Board in its absolute discretion. The periods over which the Options will vest may exceed any minimum vesting periods prescribed by any laws, regulations or rules to which the 2020 Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be listed and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the 2020 Share Option Scheme may or may not at the discretion of the Board, be subject to any retention period.

There is no general requirement for any performance target that has to be achieved before the exercise of any Option except as otherwise imposed by the Board in the offer letter by which an offer to grant an Option is made to a Participant.

Subscription Price

The Subscription Price shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant 2020 Share Option (and shall be stated in the Offer Letter), but in any case the Subscription Price shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day;

Report of the Directors

- (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant; and
- (c) the nominal value of a Share.

Duration of the 2020 Share Option Scheme

The 2020 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the 22 June 2020. After the expiry of the ten (10) year period, no further 2020 Share Options will be offered or granted but in all other aspects the provisions of the 2020 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any 2020 Share Option granted prior thereto. 2020 Share Options granted hereunder shall continue to be exercisable subject to the terms of the 2020 Share Option Scheme and in accordance with their terms of grant after the end of the ten (10) year period of the 2020 Share Option Scheme until the end of the Option Period.

Further details of the 2020 Share Option Scheme are set out in the supplemental circular of the Company dated 5 June 2020.

Movements of the share options granted under the 2020 Share Option Scheme during the year ended 31 December 2024 are as follows:

Grantees ⁽¹⁾	Date of Grant	Date of expiry ⁽²⁾	Vesting period	Exercise Price (HK\$)	Number of underlying ordinary shares comprised in the options outstanding as at 1 January 2024	Number of underlying ordinary shares comprised in the options granted during the year ended 31 December 2024	Number of underlying ordinary shares comprised in the options lapsed or cancelled during the year ended 31 December 2024 ⁽³⁾	Number of underlying ordinary shares comprised in the options exercised during the year ended 31 December 2024	Number of underlying ordinary shares comprised in the options outstanding as at 31 December 2024
February 2021 Grant									
Employees	2 February 2021	1 February 2031	2 February 2022 to 2 February 2026	23.80	7,421,000	-	7,421,000	-	-
July 2021 Grant									
Employees	15 July 2021	14 July 2031	15 July 2022 to 15 July 2026	16.84	829,800	-	829,800	-	-
January 2022 Grant									
Employees	24 January 2022	23 January 2032	24 January 2023 to 24 January 2027	11.76	1,892,000	-	1,892,000	-	-

Report of the Directors

Notes:

- (1) None of the Grantees were directors, chief executives or substantial shareholders of the Company or any of their respective associate (as defined in the Listing Rules).
- (2) The relevant 2020 Share Options can be exercised prior to the date of expiry upon vesting.
- (3) 56,800 share options granted under the 2020 Share Option Scheme have lapsed upon the resignation of the relevant employees of the Company, and 10,086,000 share options granted under the 2020 Share Option Scheme have been cancelled.

During the Reporting Period, no share option has been granted under the 2020 Share Option Scheme. Save as disclosed above, during the Reporting Period, no other share options under the 2020 Share Option Scheme had been exercised, cancelled nor lapsed.

As at the beginning of the Reporting Period, 80,696,300 share options were available for grant under the 2020 Share Option Scheme, representing approximately 0.89% of the total number of the issued shares of the Company as at the date of this annual report. As at the end of the Reporting Period, 80,696,300 share options were available for grant under the 2020 Share Option Scheme, representing approximately 0.89% of the total number of the issued shares of the Company as at the date of this annual report.

All the grantees being granted the share options under the 2020 Share Option Scheme on 2 February 2021, 15 July 2021 and 24 January 2022 are employees of the Company working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance. None of the numbers of the share options granted to each of such grantees in any 12-month period exceeds the Individual Limit.

For more details, please refer to the announcements of the Company dated 2 February 2021, 15 July 2021 and 24 January 2022.

2023 SHARE AWARD PLAN

The Company adopted the 2023 Share Award Plan on 25 May 2023 and a summary of the principal terms of the 2023 Share Award Plan is set out as below.

Purposes

The 2023 Share Award Plan aims at (i) recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group and give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

Participants

Eligible Participant is any person belonging to the following classes of participants: (i) Employee Participant; (ii) Related Entity Participant; and (iii) Service Provider. The eligibility of any of the Eligible Participants to a Share Award shall be determined by the Board or the Committee from time to time on the basis of the Board's or the Committee's opinion as to his contribution and/or future contribution to the development and growth of the Group.



Report of the Directors

Shares Pool

The Shares Pool is comprised of the following: (i) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the Group Contribution and other distributions in accordance with the terms of the 2023 Share Award Plan; (ii) such Shares which remain unvested and revert to the Trustee pursuant to the terms of the 2023 Share Award Plan; (iii) such Shares which any person or company recommended by the Company may irrevocably donate or transfer to or irrevocably vest or caused to be vested in the Trustee to be held upon trusts and with and subject to the powers and provisions in the Trust Deed; and (iv) the Returned Shares.

Duration

The 2023 Share Award Plan shall be valid and effective for a term of 10 years commencing from 25 May 2023, and after the expiry of such 10-year term, no further Share Awards may be made, but the terms of the 2023 Share Award Plan shall remain in full force and effect to the extent necessary to give effect to any Share Awards made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

Administration

The 2023 Share Award Plan shall be subject to the administration by the Board or the Committee in accordance with the terms of the 2023 Share Award Plan and the Trust Deed.

Maximum Grant Limit

The Board or the Committee shall not make any further Share Awards which will result in the number of Shares awarded by the Board or the Committee under the 2023 Share Award Plan exceeding 10 per cent (10%) of the issued share capital of the Company as at 25 May 2023 (i.e. 906,825,170 Shares) (the “**Plan Mandate Limit**”). The Board or the Committee shall not make any further Share Awards to any Service Provider which will result in the number of Shares awarded by the Board or the Committee to all Service Providers under the 2023 Share Award Plan exceeding 0.5 per cent (0.5%) of the issued share capital of the Company as at 25 May 2023 (i.e. 45,341,258 Shares) (the “**Service Provider Sub-limit**”). The Board or the Committee shall not instruct the Trustee to purchase any Shares for the purpose of the 2023 Share Award Plan when such purchase will result in the Plan Mandate Limit or the Service Provider Sublimit being exceeded. As at 1 January 2024, the number of Shares that may be awarded under Share Awards available for grant under the Plan Mandate Limit and Service Provider Sub-limit are 906,825,170 Shares and 45,341,258 Shares, respectively. As at 31 December 2024, the number of Shares that may be awarded under Share Awards available for grant under the Plan Mandate Limit and Service Provider Sub-limit are 885,011,774 Shares and 45,341,258 Shares, respectively.

In particular, any grant of Share Awards to any Director, chief executive or substantial Shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the remuneration committee of the Board and the independent non-executive Directors of the Company (excluding anyone who is a proposed recipient of the grant of the Share Award).

In addition, (i) where any grant of Share Awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all Share Awards granted (excluding any Share Awards lapsed in accordance with the terms of the 2023 Share Award Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or (ii) where any grant of Share Awards to an independent non-executive Director or substantial Shareholder of the Company or any of their respective associates would result in the number of Shares issued and to be issued upon exercise of all Share Awards already granted (excluding any Share Awards lapsed in accordance with the terms of the 2023 Share Award Plan) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% of Shares in issue at the date of such grant, such further grant of Share Awards must be approved by Shareholders in general meeting in the manner as required under the Listing Rules.

Vesting and Vesting Period

Pursuant to the terms of the 2023 Share Award Plan, the Trustee shall vest in and transfer to any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Share Awards as soon as practicable after the latest of: (i) the earliest vesting date as specified in the Award Notice to which such Share Awards relates; (ii) the receipt by the Trustee of the requisite information and documents stipulated by the Trustee within the stipulated period; and (iii) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related Award Notice having been attained or paid and notified to the Trustee by the Board or the Committee in writing.

Rights Contained in the Share Award

The Trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted by the Trust Deed. In particular, the Trustee holding unvested Shares under the 2023 Share Award Plan, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given. The Selected Participants shall not have any right to receive any Awarded Shares set aside for them pursuant to the terms of the 2023 Share Award Plan unless and until the Trustee has vested and transferred the legal and beneficial ownership of such Awarded Shares in and to the Selected Participants in accordance with the terms of the 2023 Share Award Plan. Prior to the vesting of any Awarded Shares, a Selected Participant is not entitled to any interest or rights attaching to the unvested Awarded Shares, including but not limited to voting rights and rights to receive dividends.

Lapse of Awards and Returned Shares

In the event (i) a Selected Participant ceases to be an Employee Participant or Related Entity Participant other than for reason as provided in certain terms of the 2023 Share Award Plan, or (ii) the Subsidiary or Related Entity by which a Selected Participant is employed or, in respect of a deceased or retired Selected Participant under certain terms of the 2023 Share Award Plan, was employed immediately prior to his death or retirement, ceases to be a Subsidiary or Related Entity of the Company (or of a member of the Group), or (iii) the Board or the Committee shall at its absolute discretion determine in respect of a Service Provider that (a) the Service Provider or his associate has committed any breach of any contract entered into between the Service Provider or his associate on one part and any member of the Group or any Related Entity on the other part as the Board or the Committee may in its absolute discretion determine; or (b) the Selected Participant has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, or has been convicted any criminal offence involving his integrity or honesty; or (c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the Related Entity by reason of the cessation of its relationship with the Group or its Related Entity or by any other reasons whatsoever; or (iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company) (each of these, an event of "**Total Lapse**"), the Share Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares and the dividends and other distributions declared and made in respect of the deemed vested Awarded Shares shall form part of the income of the trust fund for the purposes of the 2023 Share Award Plan.

Report of the Directors

In the event (i) a Selected Participant is found to become an Excluded Participant or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee (or such later date as may be determined by the Board or the Committee at its sole and absolute discretion having to all relevant circumstances) for the relevant Awarded Shares within the stipulated period (each of these, an event of “**Partial Lapse**”), the relevant part of a Share Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares and the dividends and other distributions declared and made in respect of the deemed vested Awarded Shares shall form part of the income of the trust fund for the purposes of the 2023 Share Award Plan.

Termination

The 2023 Share Award Plan shall terminate on the earlier of: (i) the 10th anniversary date of the 25 May 2023; and (ii) such date of early termination as determined by the Board or the Committee and notified to the Trustee in writing, provided that such termination shall not affect any subsisting rights of any Selected Participant. Subject to the decision of the Board or the Committee and the terms of the 2023 Share Award Plan, all the Awarded Shares shall become vested in the Selected Participant on such date of termination, save in respect of any event of Total Lapse.

Details of the Share Awards under the 2023 Share Award Plan

Movements of the Share Awards under the 2023 Share Award Plan during the year ended 31 December 2024 are as follows:

Selected Participants ⁽¹⁾	Date of grant	Vesting Period	Purchase Price (HK\$)	Number of underlying ordinary shares comprised in the Share Awards outstanding as at 1 January 2024	Number of underlying ordinary shares comprised in the Share Awards granted during the year ended 31 December 2024 ⁽²⁾	Number of underlying ordinary shares comprised in the Share Awards lapsed or cancelled during the year ended 31 December 2024	Number of underlying ordinary shares comprised in the Share Awards vested during the year ended 31 December 2024 ⁽³⁾	Number of underlying ordinary shares comprised in the Share Awards outstanding as at 31 December 2024
Ms. Judy Fong-Yee Tu	24 January 2024	24 January 2024	Nil	0	104,762	0	104,762	0
Employees	24 January 2024	24 January 2024	Nil	0	20,276,322	0	20,276,322	0
	1 July 2024	Within 24 months after the date of grant	Nil	0	1,432,312	476,291	0	956,021

Notes:

- (1) Other than Ms. Judy Fong-Yee Tu, none of the Selected Participants were Directors, chief executives or substantial Shareholders of the Company or any of their respective associate (as defined in the Listing Rules).
- (2) The closing price of the Shares immediately before the date of grant was HK\$3.68 and HK\$3.61, respectively. The fair value of the Share Awards was approximately HK\$76,225,000 and HK\$5,171,000, respectively, based on the closing prices of the Shares at the date of grant of HK\$3.74 per Share and HK\$3.61 per Share, respectively. For accounting policy relating to the Share Awards, please refer to note 2.4 to the consolidated financial statements in this annual report.
- (3) The weighted average closing price of the Shares immediately before the dates on which the Share Awards were vested was HK\$3.68.

Report of the Directors

Save as disclosed above, during the Reporting Period, no other Share Awards under the 2023 Share Award Plan had been granted, vested, cancelled or lapsed.

The number of Shares that may be awarded in respect of Share Awards granted under the 2023 Share Award Plan during the Reporting Period divided by the weighted average number of the Shares in issue (excluding treasury shares) for the Reporting Period was 0.2%. For more details, please refer to the announcements of the Company dated 25 May 2023.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is available to the Company and to the knowledge of the Directors, the Company's public float complies with the requirements of Rule 8.08 of the Listing Rules.

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

During the Reporting Period, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares (as defined in the Listing Rules)). As at the end of the Reporting Period, the Company did not hold any treasury shares (whether held or deposited in the Central Clearing and Settlement System, or otherwise).



Report of the Directors

CONNECTED TRANSACTION

Certain related party transactions disclosed in the financial statements of this annual report, which constitute connected transactions under Chapter 14A of the Listing Rules, are fully exempted from shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

EMPLOYEES AND REMUNERATION

As at 31 December 2024, the Group had 9,590 full-time employees (31 December 2023: 9,554), 2,375 of whom are from YST. As at 31 December 2024, the majority of the Group's employees are based in China.

In compliance with the CG Code, the Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company offers the executive Directors and senior management with remuneration in the form of fees, salaries, bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. Non-executive Directors and independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the Board committees).

In line with the performance of the Group and individual employees, the Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group provides training programs to our employees, including new hire training for new employees and regular quality control, production safety and other technical training for our personnel to enhance their skill and knowledge. The Group takes measures to promote equal opportunities, anti-discrimination, and diversity among employees. In addition, the Group endeavours to motivate its staff with performance-based remuneration. On top of basic salary, the Group will reward staff with outstanding performance by way of bonuses, honorary awards, promotions or a combination of the above to further align the interests of the employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

Remuneration of the Directors is determined based on their roles and duties and with reference to the Company's remuneration policy and the prevailing market conditions, subject to the approval of the Shareholders general meetings. Details of remuneration of Directors and the five highest paid individuals of the Company for the year ended 31 December 2024 are set out in notes 9 and 10 to the consolidated financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting good corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency and responsibility in all aspects, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders.

Save as disclosed in this annual report, the Company has complied with the applicable code provisions of the CG Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code as its own code of conduct for dealing in the securities of the Company by the Directors.

Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period. The Company has also established the "Code of Conduct for Securities Transactions for Relevant Employees" on terms no less exacting than the Model Code to regulate dealings by relevant employees who are likely to be in possession of inside information of the Company in respect of securities in the Company as referred to code provision C.1.3 of the CG Code.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

SIGNIFICANT LEGAL PROCEEDINGS

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

TAX ALLOWANCES

The Company is not aware of any particular tax allowances granted to the Shareholders due to their interests in its securities.



Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risks and consequences of non-compliance with such requirements. The Group has allocated abundant resources to ensure ongoing compliance with laws and regulations and to maintain healthy relationships with regulators through effective communications. During the Reporting Period, to the best of our knowledge, the Group has complied with all relevant rules and regulations that have a significant impact on it.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks

The Group is exposed to a variety of financial risks, including interest rate risk, credit risk, foreign currency risk, and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For further details, please see note 42 to the consolidated financial statements.

Interest Rate Risk

We are exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. During the year ended 31 December 2024, we have not used any derivatives to hedge interest rate risk.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. The credit risk of our other financial assets, which comprise cash and cash equivalents, restricted cash, structured deposits, a financial asset at fair value through other comprehensive income, deposits and other receivables, and amount due from a related company, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Foreign Currency Risk

We have transactional currency exposures mainly with respect to our operation of the overseas plant in Canada, which is made in Canadian dollars. During the year ended 31 December 2024, we did not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure in accordance with our plans to develop overseas business.

Business Risks

Publicity Risk

We produce and sell dairy products and we also sell nutritional supplements. Our business is highly sensitive to consumers' perception of safety, quality, hygiene and awareness for health. Any tampering, adulteration, counterfeiting or other quality control concerns relating to any infant milk formula and nutritional supplements, whether real or perceived and whether or not manufactured by us, may result in negative publicity that could adversely affect us. Any substantial and sustained negative publicity concerning the infant milk formula and nutritional supplement markets could lead to loss of consumer confidence, reduction in sales and prices of our products, or a widespread recall of infant milk formula products or nutritional supplements involved in such incident, thereby potentially having a material and adverse effect on our business, reputation and results of operations.

Product Risk

We consider quality and reliability of our products to be vital to our business. There may be a risk that contamination or spoilage could take place during the production and transportation of our products due to factors that may or may not be within our control. In the event our products are found to be contaminated, spoiled, or defective, or to possess any quality or safety problems, we may experience sales returns, be required to recall products from the market, or be exposed to liability claims, reduced sales volumes, imposition of penalties against us by relevant authorities or compensation awards by courts, any of which could damage our brand image, reputation and relationships with our customers.

Operation Risk

The manufacture of our products is an exact and complex process, partly due to strict quality and safety requirements. In particular, certain stages of our production process must occur in sterile or temperature-controlled environments to preserve the quality of fresh milk and other ingredients as well as to reduce the risk of contamination. Problems may arise during the production process for a variety of reasons, including equipment malfunction, power outages, failure to follow specific protocols and procedures, and quality defects in raw materials, which could compromise the quality of our products. We rely on the timely supply of raw materials that meet our quality standards, such as fresh milk, whey powder, lactoferrin, in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to meet our contractual obligations to customers.

Our production and profitability depend on our ability to purchase key raw materials from our suppliers at reasonably acceptable prices. The primary ingredient for our infant milk formula production is fresh milk, which we source locally. As we continue to expand our business and operations, we expect our cost of fresh milk procurement to continue to account for a significant portion of our total cost of sales. The market for our fresh milk and other raw materials may be subject to price volatility depending on a variety of factors beyond our control, including the global and PRC economy and related government policies. The abnormal price volatility of raw materials may have a material and adverse impact on our business, financial condition and results of operations.



Report of the Directors

Competition Risk

Our success depends on our ability to anticipate, identify, interpret and react to the evolving tastes, dietary habits and nutritional needs of end consumers and to offer products that appeal to them. If we are unable to respond to rapid changes in consumer preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively, our business, financial condition and results of operations could be materially and adversely affected.

Expansion Risk

We have already invested in some overseas businesses and we may consider to further expand our operations overseas in the future. Overseas operations will expose us to various risks associated with conducting business in foreign countries and territories, which could have a material and adverse effect on our business, results of operations and overall growth strategies.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group promotes the philosophy of environmental responsibility and strictly complies with environmental protection laws and regulations including the Environmental Protection Law of the People's Republic of China and the Environmental Impact Assessment Law of the People's Republic of China. Based on such philosophy, the Group has formulated environmental management systems at the group level and built a top-down environmental management system. In its daily operations, the Group has started from technology innovation, management enhancement and awareness development, etc., and strived to improve the resource use efficiency, propel energy-saving and low-carbon operations, strictly control pollutant emissions and properly dispose of waste, build green factories, promote green office practices, fulfill corporate environmental responsibilities and drive the long-term sustainable development of the environment and communities in which the Group operates.

Detail information on the environment and social practices adopted by the Company is set out in the Environmental, Social and Governance Report which will be presented in a separate report and published on the website of the Company at www.feihe.com under the "Investor Relations > Information Disclosure > ESG Report" section and the website of the Stock Exchange at www.hkexnews.hk.

RELATIONSHIP WITH STAKEHOLDERS

The Group acknowledges the importance of stakeholders to the Group's development, always pays attention to stakeholders including the government, shareholders and potential investors, employees, customers, suppliers, distributors and the community, and dedicates to maintaining good relationship with these stakeholders. The Group strives to achieve sustainable growth through motivating our employees, providing high-quality products to our customers and collaborating with our business partners.

Report of the Directors

The Group has always treated legal compliance as a basic requirement for our operations and maintains good communication with the government and regulatory agencies through reporting and filing, cooperating with reviews and inspections, and recommending good industry practices. The Group treats the realization of the interests of Shareholders and investors as a key business objective, actively communicates with Shareholders and investors through shareholder meetings, roadshow and timely information disclosure. The Group regards employees as valuable assets, incentivizes employees with a competitive salary and sound promotion policy, and provides them with a fair, non-discrimination and healthy working environment. The Group also supports their career development through internal trainings and trainings from external experts to keep them abreast of the latest developments in the market and industry. The Group sticks to the customer-oriented culture and is committed to providing customers with high-quality and reliable products. The Group creates various online and offline channels to obtain feedbacks from customers and addresses customer's concern in a timely manner. Raw materials are essential to the dairy industry and the Group communicates with its suppliers in a proactive and effective manner to ensure the supply and quality of raw materials, including regular visits and surveys regarding the product quality and price movements. We maintain real-time interactions in daily operations with suppliers in order to obtain first-hand information from them. The Group strives to establish stable and long-term relationship with our distributors. We enter into standard distribution agreements with our distributors and strictly follow the distributor agreements to manage them. We actively communicate with the distributor to get to know their sale amounts, stock status and financial positions. We conduct regular spot inspections of our distributors to ensure that our distributors adhere to our sales and marketing policies and branding strategies.

For details of the Group's relationship with stakeholders, please refer to the Environmental, Social and Governance Report of the Group to be published on the websites of the Company and the Stock Exchange.

By order of the Board

China Feihe Limited

LENG Youbin

Chairman

Beijing, the PRC

28 March 2025



Corporate Governance Report

The Board is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2024 (the “**Reporting Period**”).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of maintaining and promoting sound corporate governance. The principles of the Company’s corporate governance are to promote effective internal control measures, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to the Company and its shareholders. The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 described in the paragraph headed “Board of Directors – Chairman and Chief Executive Officer”.

CULTURE AND VALUES

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 Company develops and inherits the culture for employee teams. The corporate culture system, with a focus on upgrading corporate values, covers four dimensions – spirit, behavior, system and material. The Company also hosts activities, offers benefits and care and publicises the cultures to comfort employees and create a healthy and dynamic corporate atmosphere in the new era.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group’s businesses, strategic decisions and performance and makes decisions objectively in the best interest of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them. The Board has delegated the day-to-day operation of the Company to the management while matters affecting the Company’s overall strategies, policies and financial matters are reserved to the Board.

Corporate Governance Report

Board Composition

The Board currently comprises twelve Directors, consisting of four executive Directors, four non-executive Directors and four independent non-executive Directors.

The composition of the Board is as follows:

Executive Directors

Mr. LENG Youbin (*Chairman, Chief Executive Officer*)

Mr. LIU Hua

Mr. CAI Fangliang

Ms. Judy Fong-Yee TU

Non-executive Directors

Mr. GAO Yu

Mr. Kingsley Kwok King CHAN

Mr. CHEUNG Kwok Wah

Mr. Maher EL-OMARI (alias: Mac)

Independent Non-executive Directors

Ms. LIU Jinping

Mr. SONG Jianwu

Mr. FAN Yonghong

Mr. Jacques Maurice LAFORGE

The biographical information of the Directors are set out in the section headed “Directors and Senior Management” on pages 18 to 24 of this annual report for the Reporting Period and up to the Latest Practicable Date. The Board members have no financial, business, family, or other material/relevant relationship with each other.



Corporate Governance Report

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are both held by Mr. Leng Youbin (“**Mr. Leng**”), who has in-depth industry experience and knowledge about the operation and management of the business of the Company.

Mr. Leng is the founder of the Group and has been operating and managing the Group. He is responsible for the overall development strategies and business plans of the Group.

The Board believes that it is beneficial to the business operations and management of the Group that Mr. Leng continues to service as both the Chairman of the Board and the Chief Executive Officer of the Company.

The Board is of the view that given that Mr. Leng had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group’s business.

Board Independence and Independent Non-executive Directors

The Company recognizes that Board independence is key to good corporate governance. The Company has put in place effective mechanisms that ensure independent views and input are available to the Board. There are four independent non-executive Directors on the Board. The Remuneration Committee and the Audit Committee are both chaired by Independent Non-executive Directors. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharging their responsibilities at the Board.

The Company has also established formal and informal channels whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances require.

Corporate Governance Report

The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis and is of the view that the mechanisms were effective in ensuring that independent views and input were available to the Board during the Reporting Period.

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

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a term of three years, subject to renewal after the expiry of their term and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

All the Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

The Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an additional Director shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.



Corporate Governance Report

Responsibilities, Accountabilities and Contributions of the Board and the Management

The Board is responsible for and has general powers over the management and operation of our business, including determining our business strategies and investment plans, implementing resolutions passed at our general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on corporate governance, risk management and internal control and compliance with legal and regulatory requirements. The Board consists of 12 Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors.

Our senior management is responsible for the day-to-day management and operation of our business. Our senior management consists of our four executive Directors.

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

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

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

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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

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

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Corporate Governance Report

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and written material on relevant topics would be provided to Directors where appropriate.

During the Reporting Period, the Company organized training sessions conducted by the qualified professionals/legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates.

In addition, relevant written materials including compliance manual/legal and regulatory updates have been provided to the Directors for their reference and studying.

The training records of the Directors for Reporting Period are summarized as follows:

Directors	Training (Note)
Executive Directors	
Mr. LENG Youbin	✓
Mr. LIU Hua	✓
Mr. CAI Fangliang	✓
Ms. Judy Fong-Yee TU	✓
Non-Executive Directors	
Mr. GAO Yu	✓
Mr. Kingsley Kwok King CHAN	✓
Mr. CHEUNG Kwok Wah	✓
Independent Non-Executive Directors	
Ms. LIU Jinping	✓
Mr. SONG Jianwu	✓
Mr. FAN Yonghong	✓
Mr. Jacques Maurice LAFORGE	✓

Note: During the Reporting Period, all Directors attended training sessions and received training materials.



Corporate Governance Report

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Environmental, Social and Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which clearly state their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive Directors in majority and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

The Audit Committee consists of two independent non-executive Directors, namely Mr. FAN Yonghong, Mr. Jacques Maurice LAFORGE and one non-executive Director, namely Mr. GAO Yu. Mr. FAN Yonghong is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to oversee the financial reporting, risk management and internal control systems and procedures of the Company, review the financial information of the Company and effectiveness of the internal audit function, consider issues relating to the external auditor and its appointment, arrangements to enable employees of the Group to raise concerns about possible improprieties in financial reporting and internal control and perform other duties and corporate governance responsibilities as may be assigned by the Board. The Audit Committee shall discuss the risk management and internal control system with the management to ensure that the management has performed its duty to establish and maintain effective systems, consider major investigation findings on risk management and internal control matters as delegated by the Board, ensure the coordination between the internal and external auditors, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and review and monitor its effectiveness.

During the Reporting Period, two Audit Committee meetings were held to review, with the Company's management and the external auditor, the interim and annual financial results and reports, the accounting principles and practices adopted by the Company, significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works and whistleblowing policy and system. The Audit Committee also met the external auditor twice without the presence of the executive Directors.

Corporate Governance Report

Remuneration Committee

Rule 3.25 of the Listing Rules requires an issuer to establish a Remuneration Committee chaired by independent non-executive Director and comprising a majority of independent non-executive Directors.

The Remuneration Committee consists of three members, namely Mr. LIU Hua, executive Director, Ms. LIU Jinping, independent non-executive Director, and Mr. Jacques Maurice LAFORGE, independent non-executive Director. Ms. Liu Jinping is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee are to advise on and formulate the remuneration and appraisal policy in respect of our Directors, senior management and other management members of the Group, assess the performance of Directors and senior management and make recommendations to the Board on the remuneration packages of Directors and senior management.

During the Reporting Period, two Remuneration Committee meetings were held to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management.

Details of the remuneration of the senior management by band are set out in notes 9 and 10 of the consolidated financial statements.

Highest Paid Individuals and the Remuneration of the Directors and Senior Management

For details of the Directors' remuneration and the five individuals with highest emoluments, please refer to notes 9 and 10, respectively of the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. LENG Youbin, executive Director, Ms. LIU Jinping, independent non-executive Director and Mr. SONG Jianwu, independent non-executive Director. Mr. Leng Youbin is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and removal of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.



Corporate Governance Report

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, two Nomination Committee meetings were held to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, consider the qualifications of the retiring directors standing for re-election at the annual general meeting and consider and recommend to the Board on the appointment of Directors. The Nomination Committee considered an appropriate balance of diversity of the Board is maintained.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will be primarily responsible for identifying candidates, formulating selection standards and procedures, examining candidates for directors and senior management of the Company, and providing recommendation to the Board.

The Nomination Committee will give adequate consideration to this policy in identifying and selecting suitably qualified director candidates of the Company.

Selection of director candidates shall be based on a range of measurable diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and education background, professional experience, skills, relevant knowledge and/or length of service.

As at the date of this report, the Board comprises twelve Directors, two of which are female. Two of our Directors are between the age group of 40–49, seven of our Directors are between the age group of 50–59, and three of our Directors are between the age group of 60–69. We have four senior management, one of which is female.

The Company aims to maintain an appropriate balance of skills, experience and diversity necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board will consider the 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. At present, the Nomination Committee considered that the Board is sufficiently diverse. The Board possesses a good gender diversity with two women on the Board and has a well-balanced cultural background, educational background, industry experience and professional experience.

Corporate Governance Report

As at the date of this report, the proportion of female representation at board level is 16.7%. The Nomination Committee has reviewed and targeted to maintain at least the current level for female representation of the Board, with the ultimate goal of achieving gender parity. The Nomination Committee will continue reviewing the targeted female representation percentage over time. In considering the Board's succession, the Nomination Committee would identify and select the potential candidates for Directors in accordance with the Company's Director Nomination Policy and Board Diversity Policy and may engage independent professional search firm to identify potential candidates for independent non-executive Directors.

Currently, among 9,590 employees of the Group, the male to female ratio in the workforce of the Group is approximately 6:4, which is line with the industry-specific characteristics. The Company has taken, and will continue to take, steps to promote gender diversity at all levels of its workforce. Opportunities for recruitment, promotion, training and career development are equally open to all eligible employees without discrimination.


The Board and the Nomination Committee has reviewed and will continue to review the Board Diversity Policy annually to ensure its implementation and effectiveness.

Director Nomination Policy

The Board has delegated certain responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following factors:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Director Nomination Policy has been adopted by the Company setting out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity appropriate to the Company, maintain the continuity of the Board and build appropriate leadership at Board level.



Corporate Governance Report

During the Reporting Period, there was no change in the composition of the Board.

Environmental, Social and Governance Committee

The Board established the Environmental, Social and Governance Committee on 28 March 2022 and the terms of reference of the Environmental, Social and Governance Committee are available on the website of the Company.

The Environmental, Social and Governance Committee consists of three members, namely Mr. Liu Hua, Ms. Judy Fong-Yee Tu and Ms. Liu Jinping. Mr. Liu Hua is the chairman of the Environmental, Social and Governance Committee.

The main responsibilities of the Environmental, Social and Governance Committee are to assist the Board in reviewing policies and overseeing matters with respect to environmental, social and governance, including quality of work environment, environmental protection, operating practices, community participation and social responsibility.

During the Reporting Period, two Environmental, Social and Governance Committee meetings were held to review the objectives, strategies, policies and performance of the Group's ESG governance and the report on ESG risk management and internal control system.

Corporate Governance Functions

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

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Corporate Governance Report

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

A summary of the attendance records of the Directors at the meetings of the Board, Board committees and the general meeting of the Company held during the Reporting Period is set out below:

Name of Director	Attendance/Number of Meetings during the Reporting Period					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee	Annual General Meeting
Executive Directors						
Mr. LENG Youbin	4/4	N/A	N/A	2/2	N/A	1/1
Mr. LIU Hua	4/4	N/A	2/2	N/A	2/2	1/1
Mr. CAI Fangliang	4/4	N/A	N/A	N/A	N/A	1/1
Ms. Judy Fong-Yee TU	4/4	N/A	N/A	N/A	2/2	1/1
Non-executive Directors						
Mr. GAO Yu	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Kingsley Kwok King CHAN	3/4	N/A	N/A	N/A	N/A	1/1
Mr. CHEUNG Kwok Wah	2/4	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Ms. LIU Jinping	4/4	N/A	2/2	2/2	2/2	1/1
Mr. SONG Jianwu	4/4	N/A	N/A	2/2	N/A	1/1
Mr. FAN Yonghong	4/4	2/2	N/A	N/A	N/A	1/1
Mr. Jacques Maurice LAFORGE	4/4	2/2	2/2	N/A	N/A	1/1

Apart from regular Board meetings, the Chairman of the Board also held a meeting with independent non-executive Directors without the presence of other Directors during the Reporting Period.



Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems. The Audit Committee is responsible to review and supervise our financial reporting process and internal control system.

To monitor the ongoing implementation of risk management policies and corporate governance measures, the Company has established risk management systems with relevant procedures and the following risk management measures:

- establish the Audit Committee to review and supervise our financial reporting process and internal control system. The Audit Committee consists of three members, namely Mr. FAN Yonghong, who serves as chairman of the committee, Mr. GAO Yu and Mr. Jacques Maurice LAFORGE. For the qualifications and experience of these committee members, see "Directors and Senior Management";
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to matters related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks; and
- provide training session for the Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information disclosure. Self-evaluation has been conducted annually to confirm that internal control policies are properly complied with by each department.

Corporate Governance Report

The management, in coordination with department heads, assessed the likelihood of risk occurrence, formulated contingency plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all material findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period. Based on the internal controls established and maintained by the Group, the reviews performed by the management and the Audit Committee, the Board, with the concurrence of the Audit Committee, is of the opinion that the internal control and risk management systems were adequate and effective to address the financial, compliance, operational risks which the Group considers material and relevant to its operation.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review the implementation status of these remedial actions. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee and has not identified any material deficiencies in the internal control system.

The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, staff qualifications and experiences and relevant resources.

The Company has established a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Company has also established anti-corruption policies, including Anti-Fraud System of Feihe Dairy, Inquiry Measures for Employees' Violations and the Audit System Management of Feihe Dairy, which aim at preventing or penalizing illegal behaviour such as corruption and money-laundering. Anti-corruption has been added as a metric for assessing the overall performance of the Group, to encourage all employees to behave properly and legally. The Company continues to promote anti-corruption systems, promises to operate in good faith, and maintains a clean and upright business environment. The Company establishes integrity supervision for clean operation and healthy development. The Audit and Internal Control Center of the Company is a permanent anti-corruption department, responsible for the daily oversight of the headquarters and subsidiaries.



Corporate Governance Report

The Group has adopted a Guideline on Disclosure on Inside Information (the “**Guideline**”) which sets out comprehensive guidelines in respect of handling and dissemination of inside information. The Guideline sets out the procedures and internal controls to ensure timely disclosure of inside information of the Group and the fulfilment of the Group’s continuous disclosure obligations, including:

- the processes for identifying, assessing and escalating potential inside information to the designated representative of the Board;
- restricting access to inside information to a limited number of employees on a “need to know” basis;
- identifying members of senior management who are authorised to release inside information; and
- the requirements of all directors and employees of the Group to observe the Guideline.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor’s Report on pages 70 to 74.

AUDITOR’S REMUNERATION

The remuneration paid/payable to the external auditor of the Group, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2024 amounted to RMB8,150,000 and RMB1,450,000, respectively. The fees included those paid/payable to the external auditor of YST, a subsidiary of the Group listed on the Main Board of the Stock Exchange. The non-audit services mainly include interim review and other transactions relating to the Group’s business development.

Corporate Governance Report

COMPANY SECRETARY

Ms. Judy Fong-Yee Tu has been appointed as the Company's joint company secretary in July 2017 and has been serving as the sole company secretary of the Company since 15 November 2022.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Judy Fong-Yee Tu, an executive Director, vice president and authorized representative of the Company, has been designated as the primary contact person at the Company which would work on the Company's corporate governance and secretarial and administrative matters.

Ms. Judy Fong-Yee Tu has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2024 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a Shareholders Communication Policy is put in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. Resolutions (except resolutions which relate purely to procedural or administrative matters) put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening General Meetings and Putting Forward Proposals

One or more Shareholders holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and add resolutions to the agenda of a meeting pursuant to Article 64 of the Articles of Association.

Shareholders should follow the requirements and procedures as set out in the Companies Law and where applicable, the Articles of Association, for convening a general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.



Corporate Governance Report

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
(For the attention of the Board of Directors)
Fax: +86 10 8456 7871
Email: ir@feihe.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The Company has put in place the Shareholders Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To promote effective communication, the Company maintains a website at www.feihe.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Company has also established a range of communication channels with its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchange views with the Board; (iii) the provision of updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; (vi) holding press conference(s) from time to time; and (vii) convening investor meeting and/or analyst briefings, which are held by our executive Directors with existing and potential investors.



Corporate Governance Report

Having considered the multiple channels of communication and shareholders engagement held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2024 and is effective.

During the Reporting Period, the Company had adopted the third amended and restated memorandum and articles of association, which has been disclosed in the circular of the Company dated 18 April 2024. An up to date version of the Articles of Association is also available on the websites of the Company and the Stock Exchange.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends to shareholders. The Company intends to distribute to the Shareholders no less than 30% of the net profit for each financial year going forward after the Listing, subject to the future investment plans of the Company. The Board may declare dividends in the future after taking into account the results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends and the ability to pay dividends will be subject to the requirements of the Listing Rules, all relevant applicable laws, rules and regulations in the Cayman Islands and Hong Kong as well as all the constitutional documents of the Company.

Independent Auditor's Report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of China Feihe Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Feihe Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 179, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of 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 (the "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.

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.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Fair value of biological assets</i></p> <p>As at 31 December 2024, the carrying value of the Group's biological assets, mainly including dairy cows, amounted to RMB2,339,650,000.</p> <p>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.</p> <p>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.</p> <p>The related disclosures are included in notes 2.4, 3 and 23 to the consolidated financial statements.</p>	<p>Our audit procedures for the year ended 31 December 2024 included: (i) conducting a stocktaking of biological assets; and (ii) 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.</p>
<p><i>Write-down of inventories to net realisable value</i></p> <p>As at 31 December 2024, the Group recorded net inventories of RMB2,153,945,000. The Group performs regular reviews of the carrying amounts of inventories to determine whether any write-down of inventories to net realisable value is required after considering, inter alia, the ageing analysis of inventories, current market conditions, and the expected future sales of goods and usage of feeds and raw materials.</p> <p>The determination of net realisable value requires management to make significant assumptions and estimates that affect the reported amount of inventories and related disclosures.</p> <p>The related disclosures are included in notes 2.4, 3 and 24 to the consolidated financial statements.</p>	<p>In evaluating management's assessment of the net realisable value of inventories, our procedures included: (i) observing the physical inventory counts and the condition of inventories at major locations; (ii) obtaining an understanding of the approach adopted by management for their net realisable value assessments; (iii) on a sample basis, reviewing and testing the inventory ageing and the usage of feeds and raw materials subsequent to the year end; (iv) on a sample basis, comparing the actual selling prices of finished goods subsequent to the year end to their carrying amounts at the year end; and (v) assessing the adequacy of the disclosures included in the consolidated financial statements.</p>



Independent Auditor's Report

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, 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 HKSAAs 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.

Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, 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.
- 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.



Independent Auditor's Report

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

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

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	20,748,550	19,532,203
Cost of sales		(6,983,747)	(6,868,850)
Gross profit		13,764,803	12,663,353
Other income and gains, net	5	1,465,058	1,659,531
Selling and distribution expenses		(7,181,223)	(6,709,067)
Administrative expenses		(1,681,261)	(1,762,049)
Other expenses	7	(146,322)	(100,862)
Finance costs	8	(44,646)	(53,132)
Share of losses of associates		(8,910)	(5,958)
Share of loss of a joint venture		(3,272)	(1,450)
Impairment losses on property, plant and equipment and right-of-use assets		—	(89,812)
Changes in fair value less costs to sell of biological assets	23	(614,501)	(750,262)
PROFIT BEFORE TAX	6	5,549,726	4,850,292
Income tax expense	11	(1,895,606)	(1,559,940)
PROFIT FOR THE YEAR		3,654,120	3,290,352
Attributable to:			
Owners of the parent		3,570,125	3,390,009
Non-controlling interests		83,995	(99,657)
		3,654,120	3,290,352
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	13		
Basic (expressed in RMB per share)		0.39	0.37
Diluted (expressed in RMB per share)		0.39	0.37

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	3,654,120	3,290,352
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of group companies	(84,007)	153,660
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,570,113	3,444,012
Attributable to:		
Owners of the parent	3,485,401	3,543,469
Non-controlling interests	84,712	(99,457)
	3,570,113	3,444,012

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	9,496,701	9,494,034
Investment properties	15	38,734	211,741
Right-of-use assets	16	359,015	395,097
Goodwill	17	112,402	112,402
Intangible assets	18	14,161	16,334
Investment in a joint venture	19	–	3,338
Investments in associates	20	120,356	99,866
Financial asset at fair value through other comprehensive income	21	1,800	1,800
Deposits	22	46,339	110,873
Biological assets	23	2,339,650	2,252,706
Deferred tax assets	32	347,957	402,216
Long-term bank deposits	28	600,000	540,000
Total non-current assets		13,477,115	13,640,407
CURRENT ASSETS			
Inventories	24	2,153,945	2,258,059
Trade and bills receivables	25	395,219	431,184
Prepayments, deposits and other receivables	26	668,564	694,959
Structured deposits	27	9,681,736	8,670,910
Restricted cash	28	27,905	58,218
Cash and cash equivalents	28	9,321,222	10,440,941
Total current assets		22,248,591	22,554,271
CURRENT LIABILITIES			
Trade and bills payables	29	1,565,160	1,838,223
Other payables and accruals	30	4,101,044	4,660,948
Interest-bearing bank borrowings	31	514,804	504,914
Lease liabilities	16	27,429	87,402
Tax payable		382,593	290,743
Total current liabilities		6,591,030	7,382,230
NET CURRENT ASSETS		15,657,561	15,172,041
TOTAL ASSETS LESS CURRENT LIABILITIES		29,134,676	28,812,448

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	30	705,608	620,756
Interest-bearing bank borrowings	31	485,054	872,836
Lease liabilities	16	53,823	171,260
Deferred tax liabilities	32	482,806	813,250
Total non-current liabilities		1,727,291	2,478,102
Net assets		27,407,385	26,334,346
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	1	1
Reserves	35	25,933,185	24,944,858
		25,933,186	24,944,859
Non-controlling interests		1,474,199	1,389,487
Total equity		27,407,385	26,334,346

Liu Hua
Director

Judy Fong-Yee TU
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Attributable to equity owners of the Company										Non-controlling interests	Total equity
		Share capital	Treasury shares	Share premium account	Capital contribution reserve	Reserve funds	Share option reserve	Exchange fluctuation reserve	Retained profits	Other reserves	Total		
		RMB'000 (Note 33)	RMB'000	RMB'000	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000	RMB'000	RMB'000 (Note 35)	RMB'000	RMB'000	RMB'000
At 1 January 2023		1	(74,775)*	6,526,637*	80,346*	839,773*	189,163*	(129,307)*	16,679,298*	(125,137)*	23,985,999	1,488,944	25,474,943
Profit for the year		-	-	-	-	-	-	-	3,390,009	-	3,390,009	(99,657)	3,290,352
Other comprehensive income for the year:													
Exchange differences on translation of financial statements of group companies		-	-	-	-	-	-	153,460	-	-	153,460	200	153,660
Total comprehensive income for the year		-	-	-	-	-	-	153,460	3,390,009	-	3,543,469	(99,457)	3,444,012
Final 2022 dividend		-	-	-	-	-	-	-	(1,416,761)	-	(1,416,761)	-	(1,416,761)
Interim 2023 dividend	12	-	-	-	-	-	-	-	(1,136,522)	-	(1,136,522)	-	(1,136,522)
Equity-settled share option arrangements	34	-	-	-	-	-	95,776	-	-	-	95,776	-	95,776
Transfer from retained profits		-	-	-	-	20,699	-	-	(20,699)	-	-	-	-
Shares repurchased		-	(4,092)	-	-	-	-	-	-	-	(4,092)	-	(4,092)
Cancellation of shares repurchased		-	78,867	(78,867)	-	-	-	-	-	-	-	-	-
Shares withheld for a share award plan		-	(123,010)	-	-	-	-	-	-	-	(123,010)	-	(123,010)
At 31 December 2023 and 1 January 2024		1	(123,010)*	6,447,770*	80,346*	860,472*	284,939*	24,153*	17,495,325*	(125,137)*	24,944,859	1,389,487	26,334,346
Profit for the year		-	-	-	-	-	-	-	3,570,125	-	3,570,125	83,995	3,654,120
Other comprehensive (loss)/income for the year:													
Exchange differences on translation of financial statements of group companies		-	-	-	-	-	-	(84,724)	-	-	(84,724)	717	(84,007)
Total comprehensive income for the year		-	-	-	-	-	-	(84,724)	3,570,125	-	3,485,401	84,712	3,570,113
Final 2023 dividend	12	-	-	-	-	-	-	-	(1,248,040)	-	(1,248,040)	-	(1,248,040)
Interim 2024 dividend	12	-	-	-	-	-	-	-	(1,351,924)	-	(1,351,924)	-	(1,351,924)
Equity-settled share option arrangements	34	-	-	-	-	-	24,754	-	-	-	24,754	-	24,754
Transfer from retained profits		-	-	-	-	2,362	-	-	(2,362)	-	-	-	-
Share-based payments arrangements	34	-	110,842	(14,554)	-	-	-	-	-	-	96,288	-	96,288
Cancellation of share options		-	-	-	-	-	(309,693)	-	309,693	-	-	-	-
Shares withheld for a share award plan		-	(18,152)	-	-	-	-	-	-	-	(18,152)	-	(18,152)
At 31 December 2024		1	(30,320)*	6,433,216*	80,346*	862,834*	-*	(60,571)*	18,772,817*	(125,137)*	25,933,186	1,474,199	27,407,385

* These reserve accounts comprise the consolidated reserves of RMB25,933,185,000 (2023: RMB24,944,858,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		5,549,726	4,850,292
Adjustments for:			
Finance costs	8	44,646	53,132
Share of losses of associates		8,910	5,958
Share of loss of a joint venture		3,272	1,450
Interest income	5	(468,365)	(470,032)
Depreciation of property, plant and equipment	6	608,966	533,385
Depreciation of investment properties	6	14,651	45,192
Depreciation of right-of-use assets	6	22,713	27,176
Amortisation of intangible assets	6	2,173	2,180
Loss on disposal of items of property, plant and equipment, net	6	15,970	663
Fair value gains on structured deposits, net	5	(91,336)	(99,510)
Changes in fair value less costs to sell of biological assets		614,501	750,262
Write-down of inventories to net realisable value	6	73,486	42,726
Impairment of trade and other receivables, net	7	81,461	961
Impairment of property, plant and equipment and right-of-use assets		–	89,812
Gain on lease termination		(632)	(1,475)
Gain on lease modification		–	(465)
Gain on disposal of a subsidiary		(19,078)	–
Amortisation of deferred income	30	(71,158)	(57,221)
Equity-settled share-based expense	6	54,162	162,656
		6,444,068	5,937,142
Decrease/(increase) in inventories		29,388	(301,782)
Decrease/(increase) in trade and bills receivables		32,812	(1,154)
Increase in prepayments, deposits and other receivables		(9,527)	(166,502)
Decrease in an amount due from a related company		–	190,599
(Decrease)/increase in trade and bills payables		(270,892)	63,352
Decrease in other payables and accruals		(487,139)	(122,439)
Cash generated from operations		5,738,710	5,599,216
Interest received		561,729	456,565
Interest paid		(41,162)	(58,164)
Income taxes paid		(2,079,964)	(1,852,271)
Net cash flows from operating activities		4,179,313	4,145,346

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 and right-of-use assets		(628,779)	(641,020)
Proceeds from disposal of a subsidiary		39,396	–
Proceeds from disposal of items of property, plant and equipment		14,312	22,310
Additions to biological assets		(772,857)	(868,049)
Proceeds from disposal of biological assets		145,542	202,592
Purchases of structured deposits		(13,935,742)	(10,176,472)
Proceeds from redemption of structured deposits		12,916,742	11,351,377
Placement of restricted cash		(12,505)	(136,544)
Withdrawal of restricted cash		42,818	108,434
Investment in an associate		(12,267)	–
Receipt of government grants		127,414	49,085
Deposits paid for purchases of items of property, plant and equipment		(97,223)	(26,674)
Placement of time deposits with original maturity of more than three months when acquired		(2,639,131)	(2,345,660)
Withdrawal of time deposits with original maturity of more than three months when acquired		3,495,448	2,847,318
Net cash flows (used in)/from investing activities		(1,316,832)	386,697
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		369,667	682,652
Repayment of bank loans		(747,559)	(626,907)
Shares repurchased		–	(4,092)
Shares withheld for a share award plan		(18,152)	(123,010)
Dividends paid		(2,599,964)	(2,553,283)
Principal portion of lease payments	36(iii)	(35,612)	(80,661)
Net cash flows used in financing activities		(3,031,620)	(2,705,301)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		7,447,381	5,579,482
Effect of foreign exchange rate changes, net		(63,630)	41,157
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		7,214,612	7,447,381
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	28	7,214,612	7,447,381

Notes to the Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 26 October 2012. The registered office address of the Company is P.O. Box 1103, George Town, Grand Cayman KY1-1102, Cayman Islands.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) consisted of the production and sale of dairy products and raw milk, and sale of nutritional supplements.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 November 2019.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Heilongjiang Platinum Commerce Co., Limited (黑龍江白金商貿有限公司)^	The PRC/ Mainland China	RMB1,800,000	100	–	Investment holding
Vitamin World USA	United States	United States dollars (“US\$”) 10	–	100	Sale of vitamin products
Canada Royal Milk ULC	Canada	Canadian dollar (“CAD”) 1	–	100	Manufacture and sale of milk powder
Heilongjiang Feihe Dairy Co., Ltd. (黑龍江飛鶴乳業有限公司)^*	The PRC/ Mainland China	US\$45,000,000	–	100	Manufacture and sale of milk powder
Feihe (Gannan) Dairy Products Co., Ltd. (飛鶴(甘南)乳品有限公司)^*	The PRC/ Mainland China	US\$25,000,000	–	100	Manufacture and sale of milk powder
Feihe (Longjiang) Dairy Products Co., Ltd. (飛鶴(龍江)乳品有限公司)^*	The PRC/ Mainland China	Renminbi (“RMB”) 210,000,000	–	100	Manufacture and sale of milk powder
Jilin Feihe Albeta Dairy Co., Ltd. (飛鶴(鎮賚)乳品有限公司)^*	The PRC/ Mainland China	RMB87,000,000	–	100	Manufacture and sale of milk powder

Notes to the Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Feihe (Baiquan) Dairy Products Co., Ltd. (飛鶴(拜泉)乳品有限公司)*	The PRC/ Mainland China	RMB51,000,000	–	100	Manufacture and sale of milk powder
Feihe (Tailai) Dairy Products Co., Ltd. (飛鶴(泰來)乳品有限公司)*	The PRC/ Mainland China	RMB500,000,000	–	100	Manufacture of milk powder
Zhuhai Hengqin Xing Ma Electronic Commerce Co., Ltd. (珠海橫琴星媽電子商務有限公司)*	The PRC/ Mainland China	RMB10,000,000	–	100	Sale of milk powder
Feihe (Jilin) Dairy Products Co., Ltd. (飛鶴(吉林)乳品有限公司)*	The PRC/ Mainland China	RMB200,000,000	–	100	Manufacture and sale of milk powder
Feihe (Harbin) Dairy Products Co., Ltd. (飛鶴(哈爾濱)乳品有限公司)*	The PRC/ Mainland China	US\$50,000,000	–	100	Manufacture and sale of milk powder
Royal Milk (Harbin) Food Nutrition Technology Company Limited (皇家妙克(哈爾濱)食品營養科技有限公司)^ #	The PRC/ Mainland China	RMB10,000,000	–	100	Sale of milk powder
Feihe (Shaanxi) Dairy Products Co., Ltd. (飛鶴(陝西)乳品有限公司)*	The PRC/ Mainland China	RMB20,100,000	–	100	Manufacture and sale of milk powder
Feihe (Qiqihar) Dairy Products Co., Ltd. (飛鶴(齊齊哈爾)乳品有限公司)*	The PRC/ Mainland China	RMB500,000,000	–	100	Manufacture and sale of milk powder
Heilongjiang Gannan Ruixinda Dairy Farming Co., Ltd. (黑龍江甘南瑞信達原生態牧業有限公司)*	The PRC/ Mainland China	RMB150,000,000	–	71.26	Production and sale of raw milk

Notes to the Financial Statements

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1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Heilongjiang Kedong Heping YuanShengTai Dairy Farming Co., Ltd. (黑龍江克東和平原生態牧業有限公司) [#]	The PRC/ Mainland China	RMB246,520,000	–	71.26	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) [#]	The PRC/ Mainland China	RMB186,850,000	–	71.26	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) [#]	The PRC/ Mainland China	RMB60,000,000	–	71.26	Production and sale of raw milk
Kedong Yongjin YuanShengTai Dairy Farming Joint Stock Co., Ltd. (克東勇進原生態牧業有限公司) [#]	The PRC/ Mainland China	RMB1,216,000,000	–	71.26	Production and sale of raw milk
Baiquan Ruixincheng Dairy Farming Co., Ltd. (拜泉瑞信誠牧業有限公司) [#]	The PRC/ Mainland China	RMB534,113,940	–	71.26	Production and sale of raw milk
Keshan Ruixincheng Dairy Farming Co., Ltd. (克山瑞信誠牧業有限公司) [#]	The PRC/ Mainland China	RMB300,000,000	–	71.26	Production and sale of raw milk
Longjiang Ruixincheng Dairy Farming Co., Ltd. (龍江瑞信誠牧業有限公司) [#]	The PRC/ Mainland China	RMB20,000,000	–	71.26	Production and sale of raw milk
Heilongjiang Jinyuan Dairy Farming Co., Ltd. (黑龍江金源牧業有限公司) [#]	The PRC/ Mainland China	RMB180,000,000	–	71.26	Production and sale of raw milk

Notes to the Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Heilongjiang Bei'an Ruixincheng Dairy Farming Co., Ltd. (黑龍江北安瑞信誠牧業有限公司) [#]	The PRC/ Mainland China	RMB200,000,000	–	71.26	Production and sale of raw milk
Heilongjiang Feihe Dairy Products Selling Co., Ltd. (黑龍江飛鶴乳業銷售有限公司) [#]	The PRC/ Mainland China	RMB10,000,000	–	100	Sale of milk powder
Heilongjiang Yian Ruixinda Dairy Farming Co., Ltd. (黑龍江依安瑞信達牧業有限公司) [#]	The PRC/ Mainland China	US\$61,000,000	–	71.26	Production and sale of raw milk

Notes:

[^] Registered as wholly-foreign-owned enterprises under PRC law.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through other comprehensive income and structured deposits which have been measured at fair value, and 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 (RMB’000) except when otherwise indicated.



Notes to the Financial Statements

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2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of 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.

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.

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

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.

Notes to the Financial Statements

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

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, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss 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.

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

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.

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 effects 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 on 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.

Notes to the Financial Statements

31 December 2024

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.

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash – generating unit retained.



Notes to the Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its financial asset at fair value through other comprehensive income, structured deposits, biological assets and agricultural produce at fair value 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets 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 the statement of 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 the statement of profit or loss in the period in which it arises.

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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.

2.4 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 the statement of 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:

Freehold land	Not depreciated
Buildings	2% – 10%
Plant and machinery	6% – 10%
Furniture, fixtures and equipment	18% – 20%
Motor vehicles	11% – 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 the statement of 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.

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 the statement of profit or loss in the year of the retirement or disposal.



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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark

Purchased trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

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 the statement of 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 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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.

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 – 50 years
Leased retail stores and office	2 – 10 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.

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities (Continued)*

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.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of retail stores (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). Lease payments on short-term leases 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 term and is included in other income in the statement of profit or loss. 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.

2.4 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.

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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 the statement of 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.

2.4 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 90 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.

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



Notes to the Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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 recognises lifetime ECLs for trade receivables and measures the lifetime ECLs on a specific basis according to management's assessment of the recoverability of an individual receivable. Management considers the number of days that an individual receivable is outstanding, historical experience and forward-looking information to determine the recoverability of the trade receivable.

The Group measures ECLs in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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, financial liabilities included in other payables and accruals, lease liabilities and interest-bearing bank borrowings.

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 the statement of 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 statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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 the statement of 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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 work in progress and 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.

Restricted cash

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



Notes to the Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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 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 statement of profit or loss.

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, except that deferred tax is not recognised for the Pillar Two income taxes.

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, associates and a joint venture, 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any 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, associates and a joint venture, 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.

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 the statement of 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 the statement of profit or loss by way of a reduced depreciation charge.



Notes to the Financial Statements

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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.

(b) *Sale of goods*

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

Some contracts for the sale of goods provide customers with rights of return, giving rise to variable consideration.

(i) *Rights of return*

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates share option schemes. 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. The fair value is determined by an external valuer using a binomial model.

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 the statement of 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.



Notes to the Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

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 a certain specific percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than Mainland China are charged as expenses when employees have rendered the service entitling them to the contributions.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is different from the Company's functional currency, US\$. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. 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 the statement of profit or loss.

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).

The functional currencies of certain overseas subsidiaries and a joint venture 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of 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 rate for the year.



Notes to the Financial Statements

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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.

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:

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding tax in respect of the unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that they would be probable for distribution in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 32 to 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.

Write-down of inventories to net realisable value

The Group's management reviews the condition of inventories of the Group and makes provision for obsolete and slow-moving inventory items. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes provision for obsolete items. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. The Group's management reassesses the estimation at the end of each reporting period. The carrying amount of the Group's inventories as at 31 December 2024 was RMB2,153,945,000 (2023: RMB2,258,059,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for income taxes

Provision for income taxes is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amounts of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authority may issue from time to time. Further details are given in note 11 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.

Provision for expected credit losses on trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Group uses judgements and estimates in making these assumptions and selecting the inputs to the impairment calculation, based on information about past events, current conditions and forecasts of future economic conditions at the end of each reporting period. The amount of ECLs is sensitive to changes in circumstances and forecasts of future economic conditions. The forecasts of future economic conditions may also not be representative of debtor's actual default in the future. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss. The information about the ECLs on the Group's trade receivables is disclosed in note 25 to the financial statements.

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 23 to the financial statements.



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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

- Raw milk segment – manufacture and sale of raw milk; and
- Dairy products and nutritional supplements products segment – manufacture and sale of dairy products and sale of nutritional supplements

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, other interest income, non-lease-related finance costs, share of loss of a joint venture, and share of losses of associates, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, financial asset at fair value through other comprehensive income, structured deposits, long-term bank deposits, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2024

	Dairy products and nutritional supplements		
	Raw milk RMB'000	products RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	154,290	20,594,260	20,748,550
Intersegment sales	2,397,608	–	2,397,608
	2,551,898	20,594,260	23,146,158
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,397,608)
Revenue			20,748,550
Segment results	290,146	5,026,855	5,317,001
<i>Reconciliation:</i>			
Elimination of intersegment results			(182,296)
Bank interest income			218,979
Other interest income			249,386
Share of losses of associates			(8,910)
Share of loss of a joint venture			(3,272)
Finance costs (other than interest on lease liabilities)			(41,162)
Profit before tax			5,549,726
Segment assets	7,070,052	8,562,632	15,632,684
<i>Reconciliation:</i>			
Corporate and other unallocated assets			20,093,022
Total assets			35,725,706
Segment liabilities	1,990,632	4,462,432	6,453,064
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			1,865,257
Total liabilities			8,318,321

Notes to the Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2024 (Continued)

	Dairy products and nutritional supplements		
	Raw milk RMB'000	products RMB'000	Total RMB'000
Other segment information:			
Depreciation and amortisation	127,986	520,517	648,503
Impairments recognised in the statement of profit or loss, net	–	81,461	81,461
Share of losses of associates	–	8,910	8,910
Share of loss of a joint venture	–	3,272	3,272
Investment in associates	–	120,356	120,356
Capital expenditure*	1,013,460	388,176	1,401,636
Equity-settled share-based expense	2,858	51,304	54,162

Notes to the Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2023

	Raw milk RMB'000	Dairy products and nutritional supplements products RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	234,060	19,298,143	19,532,203
Intersegment sales	1,974,521	–	1,974,521
	2,208,581	19,298,143	21,506,724
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,974,521)
Revenue			19,532,203
Segment results	(325,738)	4,756,742	4,431,004
<i>Reconciliation:</i>			
Elimination of intersegment results			2,274
Bank interest income			198,911
Other interest income			269,499
Share of losses of associates			(5,958)
Share of loss of a joint venture			(1,450)
Finance costs (other than interest on lease liabilities)			(43,988)
Profit before tax			4,850,292
Segment assets	7,374,703	8,593,488	15,968,191
<i>Reconciliation:</i>			
Corporate and other unallocated assets			20,226,487
Total assets			36,194,678
Segment liabilities	2,232,003	5,146,586	7,378,589
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			2,481,743
Total liabilities			9,860,332

Notes to the Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2023 (Continued)

		Dairy products and nutritional supplements	
	Raw milk	products	Total
	RMB'000	RMB'000	RMB'000
Other segment information:			
Depreciation and amortisation	153,636	454,297	607,933
Impairments recognised in the statement of profit or loss, net	89,812	961	90,773
Share of losses of associates	–	5,958	5,958
Share of loss of a joint venture	–	1,450	1,450
Investment in a joint venture	–	3,338	3,338
Investment in associates	–	99,866	99,866
Capital expenditure*	1,134,657	375,455	1,510,112
Equity-settled share-based expense	9,218	153,438	162,656

* Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets and biological assets.

Notes to the Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	20,545,954	19,287,735
United States of America	164,082	206,671
Canada	38,514	37,797
	20,748,550	19,532,203

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	10,940,287	10,971,859
United States of America	38,365	42,901
Canada	1,548,706	1,681,631
	12,527,358	12,696,391

The non-current asset information is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

There was no single external customer of the Group that individually accounted for 10% or more of the Group's total revenue during the year (2023: Nil).

Notes to the Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced amount of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	20,748,550	19,532,203

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2024

Segments	Dairy products and nutritional supplements		Total RMB'000
	Raw milk RMB'000	products RMB'000	
Type of goods			
Sales of goods	154,290	20,594,260	20,748,550
Geographical markets			
Mainland China	154,290	20,391,664	20,545,954
United States of America	–	164,082	164,082
Canada	–	38,514	38,514
Total	154,290	20,594,260	20,748,550
Timing of revenue recognition			
Goods transferred at a point in time	154,290	20,594,260	20,748,550

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

For the year ended 31 December 2023

Segments	Raw milk RMB'000	Dairy products and nutritional supplements products RMB'000	Total RMB'000
Type of goods			
Sales of goods	234,060	19,298,143	19,532,203
Geographical markets			
Mainland China	234,060	19,053,675	19,287,735
United States of America	–	206,671	206,671
Canada	–	37,797	37,797
Total	234,060	19,298,143	19,532,203
Timing of revenue recognition			
Goods transferred at a point in time	234,060	19,298,143	19,532,203

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:		
Sales of goods	683,327	1,067,872

Notes to the Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS, NET (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Sale of dairy products and raw milk

The performance obligation is satisfied upon delivery of products. The Group has a policy of requiring payment in advance from customers for the sales of products (other than cash and credit card sales), except for some major customers, where the trading terms are on credit. The Group grants a defined credit period usually ranging from one to three months from the date of invoice to these customers.

Sale of nutritional supplements

The performance obligation is satisfied when control of goods has been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

An analysis of other income and gains, net is as follows:

	Notes	2024 RMB'000	2023 RMB'000
Other income			
Bank interest income		218,979	198,911
Other interest income		249,386	271,121
Government grants related to			
– Assets	30(i)	71,158	57,221
– Income	(i)	592,666	916,199
Gross rental income from investment property operating leases		16,769	52,196
E-commerce income		69,813	21,659
Others		68,889	42,714
		1,287,660	1,560,021
Gains, net			
Fair value gains on structured deposits, net		91,336	99,510
Gain on disposal of a subsidiary		19,078	–
Foreign exchange differences, net		66,984	–
		177,398	99,510
Total other income and gains, net		1,465,058	1,659,531

Note:

- (i) Various government grants have been received by the Group's subsidiaries operated in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to the Financial Statements

31 December 2024

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold*		5,376,403	5,251,008
Breeding costs to produce		1,161,055	1,195,214
Production costs for raw milk		446,289	422,628
Cost of sales		6,983,747	6,868,850
Depreciation of property, plant and equipment	14	697,414	630,037
Less: Capitalised in biological assets		(88,448)	(96,652)
Depreciation recognised in the consolidated statement of profit or loss		608,966	533,385
Depreciation of investment properties	15	14,651	45,192
Depreciation of right-of-use assets	16	22,713	27,176
Rent expense – short-term leases	16	1,564	1,469
Interest expense on lease liabilities	8	3,484	9,144
Amortisation of intangible assets	18	2,173	2,180
Research and development costs®		585,138	611,164
Auditor's remuneration		9,600	9,900
Employee benefit expense* (excluding directors' and chief executive's remuneration (note 9)):			
Wages and salaries		1,210,480	1,130,052
Pension scheme contributions (defined contribution schemes)**		256,857	233,407
Equity-settled share-based expense		54,162	162,656
Less: Capitalised in biological assets		(104,308)	(96,125)
		1,417,191	1,429,990
Write-down of inventories to net realisable value#		73,486	42,726
Loss on disposal of items of property, plant and equipment, net		15,970	663
Fair value gains on structured deposits		(91,336)	(99,510)
Foreign exchange difference, net***		(66,984)	64,246

® Included in "Administrative expenses" in the consolidated statement of profit or loss.

Included in "Cost of sales" in the consolidated statement of profit or loss.

* Part of the employee benefit expense is included in "Cost of inventories sold".

** There are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

*** The items are included in "Other income and gains, net" or "Administrative expenses" in the consolidated statement of profit or loss.

Notes to the Financial Statements

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7. OTHER EXPENSES

An analysis of other expenses is as follows:

	2024 RMB'000	2023 RMB'000
Loss on disposal of items of property, plant and equipment, net	15,970	663
Loss on disposal of old packaging materials	4,690	8,444
Donations	26,448	27,044
Impairment of trade receivables, net	3,253	961
Impairment of other receivables, net	78,208	—
Others	17,753	63,750
	146,322	100,862

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on:		
Bank loans	44,082	39,890
Other loans	94	15,312
Lease liabilities	3,484	9,144
Total interest expense on financial liabilities not at fair value through profit or loss	47,660	64,346
Less: Interest capitalised	(3,014)	(11,214)
	44,646	53,132

Notes to the Financial Statements

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9. 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	1,476	1,448
Other emoluments:		
Salaries and allowances and discretionary bonus	31,059	31,582
Pension scheme contributions	273	259
	31,332	31,841
	32,808	33,289

(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. SONG Jianwu	369	362
Ms. LIU Jinping	369	362
Mr. Jacques Maurice LAFORGE	369	362
Mr. FAN Yonghong	369	362
	1,476	1,448

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

Notes to the Financial Statements

31 December 2024

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

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

	Fees RMB'000	Salaries, allowances and bonus* RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2024				
Executive directors				
Mr. LIU Hua	–	5,159	–	5,159
Mr. CAI Fangliang	–	10,909	112	11,021
Ms. Judy Fong-Yee TU	–	1,079	–	1,079
	–	17,147	112	17,259
Chief executive				
Mr. LENG Youbin	–	13,727	161	13,888
Non-executive director				
Mr. CHEUNG Kwok Wah	–	185	–	185
	–	31,059	273	31,332
2023				
Executive directors				
Mr. LIU Hua	–	5,123	–	5,123
Mr. CAI Fangliang	–	11,208	106	11,314
Ms. Judy Fong-Yee TU	–	1,061	–	1,061
	–	17,392	106	17,498
Chief executive				
Mr. LENG Youbin	–	14,009	153	14,162
Non-executive director				
Mr. CHEUNG Kwok Wah	–	181	–	181
	–	31,582	259	31,841

* Included in the balance was RMB11,000,000 (2023: RMB11,000,000) which represented discretionary bonus of executive directors and the chief executive.

During the years ended 31 December 2024 and 2023, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as a compensation for loss of office.

There was no emolument paid or payable to the non-executive directors Mr. GAO Yu and Mr. Kingsley Kwok King CHAN during the year (2023: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Subsequent to the year ended 31 December 2024, Mr. Maher EL-OMARI has been appointed as a non-executive director of the Company with effect from 28 March 2025.

Notes to the Financial Statements

31 December 2024

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two executive directors and the chief executive (2023: two executive directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five highest paid employees of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	22,957	24,564
Discretionary bonus	13,330	11,000
Equity-settled share-based expense	–	5,126
Pension scheme contributions	594	553
	36,881	41,243

The number of highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HK\$3,500,001 to HK\$4,000,000	2	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	1
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$11,500,001 to HK\$12,000,000	1	–
HK\$12,000,001 to HK\$12,500,000	–	1
HK\$14,500,001 to HK\$15,000,000	1	–
HK\$15,500,001 to HK\$16,000,000	–	1
	5	5

During the years ended 31 December 2024 and 2023, no remuneration was paid by the Group to any of these highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

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11. INCOME TAX

Taxes on profits assessable in Mainland China have been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2023: 25%) during the year. 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	2,168,967	1,665,311
Current – elsewhere		
Charge for the year	4,880	12,373
	2,173,847	1,677,684
Deferred (note 32)	(278,241)	(117,744)
Total tax charge for the year	1,895,606	1,559,940

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2024 RMB'000	%	2023 RMB'000	%
Profit before tax	5,549,726		4,850,292	
Tax at the statutory tax rate	1,387,432	25.0	1,212,573	25.0
Effect of tax exemptions granted to agricultural entities	(16,741)	(0.3)	59,323	1.2
Expenses not deductible for tax	231,697	4.2	118,775	2.4
Tax losses not recognised	70,170	1.3	58,838	1.2
Tax losses utilised from previous periods	(2,528)	–	(95,706)	(2.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	225,576	4.1	206,137	4.2
Tax charge at the Group's effective rate	1,895,606	34.2	1,559,940	32.2

Notes to the Financial Statements

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12. DIVIDENDS

Interim dividend of HK\$0.1632 (2023: HK\$0.1349) per ordinary share, equivalent to an aggregate of approximately RMB1.35 billion (2023: RMB1.14 billion) was declared and paid during the year ended 31 December 2024.

The proposed final dividend of HK\$0.1632 (2023: HK\$0.1484) per ordinary share, equivalent to an aggregate of approximately RMB1.37 billion (2023: equivalent to approximately RMB1.22 billion) for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting (the "AGM").

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares outstanding as adjusted to reflect the treasury shares during the years ended 31 December 2024 and 2023.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the total of (i) the weighted average number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	2024 RMB'000	2023 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	3,570,125	3,390,009

	Number of shares	
	2024	2023
Shares:		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	9,048,859,615	9,060,350,520
Effect of dilution – weighted average number of ordinary shares:		
Share award	5,710,730	17,221,290
	9,054,570,345	9,077,571,810

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14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	30,899	6,118,396	907,760	3,657,087	914,880	174,638	11,803,660
Accumulated depreciation and impairment	–	(829,140)	(4,000)	(1,100,085)	(316,664)	(59,737)	(2,309,626)
Net carrying amount	30,899	5,289,256	903,760	2,557,002	598,216	114,901	9,494,034
At 1 January 2024, net of accumulated depreciation and impairment	30,899	5,289,256	903,760	2,557,002	598,216	114,901	9,494,034
Additions	–	4,919	442,491	39,799	128,235	13,335	628,779
Transfer from deposits for purchases of items of property, plant and equipment (note 22)	–	–	115,214	31,190	15,017	336	161,757
Disposals	–	(10,665)	(5,607)	(11,081)	(1,540)	(1,389)	(30,282)
Disposal of a subsidiary	–	–	(4,860)	–	(5)	–	(4,865)
Transfers	–	506,430	(847,758)	312,723	28,500	105	–
Depreciation provided during the year	–	(224,437)	–	(302,113)	(147,643)	(23,221)	(697,414)
Exchange realignment	(64)	(34,236)	(4,218)	(16,076)	(703)	(11)	(55,308)
At 31 December 2024, net of accumulated depreciation and impairment	30,835	5,531,267	599,022	2,611,444	620,077	104,056	9,496,701
At 31 December 2024							
Cost	30,835	6,491,385	599,022	3,937,397	1,070,430	180,243	12,309,312
Accumulated depreciation and impairment	–	(960,118)	–	(1,325,953)	(450,353)	(76,187)	(2,812,611)
Net carrying amount	30,835	5,531,267	599,022	2,611,444	620,077	104,056	9,496,701

Notes to the Financial Statements

31 December 2024

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land RMB'000	Buildings RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	29,720	5,372,921	1,825,387	3,096,048	612,698	155,020	11,091,794
Accumulated depreciation and impairment	–	(543,145)	–	(809,453)	(200,241)	(38,520)	(1,591,359)
Net carrying amount	29,720	4,829,776	1,825,387	2,286,595	412,457	116,500	9,500,435
At 1 January 2023, net of accumulated depreciation and impairment	29,720	4,829,776	1,825,387	2,286,595	412,457	116,500	9,500,435
Additions	–	11,190	321,454	58,493	210,735	23,403	625,275
Transfer from deposits for purchases of items of property, plant and equipment (note 22)	–	–	9,501	15,147	153	–	24,801
Impairment	–	(76,905)	(4,000)	(6,913)	(792)	(887)	(89,497)
Disposals	–	(362)	–	(16,671)	(5,427)	(513)	(22,973)
Transfers	–	677,292	(1,254,928)	480,848	96,121	667	–
Depreciation provided during the year	–	(203,683)	–	(285,485)	(116,561)	(24,308)	(630,037)
Exchange realignment	1,179	51,948	6,346	24,988	1,530	39	86,030
At 31 December 2023, net of accumulated depreciation and impairment	30,899	5,289,256	903,760	2,557,002	598,216	114,901	9,494,034
At 31 December 2023							
Cost	30,899	6,118,396	907,760	3,657,087	914,880	174,638	11,803,660
Accumulated depreciation and impairment	–	(829,140)	(4,000)	(1,100,085)	(316,664)	(59,737)	(2,309,626)
Net carrying amount	30,899	5,289,256	903,760	2,557,002	598,216	114,901	9,494,034

At 31 December 2024, certain of the Group's buildings, plant and machinery and construction in progress with an aggregate net carrying amount of approximately RMB25,573,000 (2023: RMB27,626,000) were pledged to secure certain borrowings (note 31).



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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment testing for long-lived assets

As at 31 December 2023, the carrying value of the long-lived assets of the raw goat milk production and sale cash-generating unit (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 of the goat CGU was RMB17,486,000 which had been determined based on the higher of fair value less costs of disposal 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 was 14% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%.

The key assumptions on which management had based its cash flow projections to undertake impairment testing were as follows: (i) the expected average prices of goat milk were estimated after taking into account a growth rate of 3% for each projected year after considering future demand and inflation in Mainland China; (ii) the expected feeding costs of goats were estimated based on past feeding costs and expectations for the population of goats; (iii) the average milk yield of each goat per day was 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 was before tax and reflected 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.

During the year ended 31 December 2024, the goat CGU has been disposed and no additional impairment is considered necessary.

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15. INVESTMENT PROPERTIES

	Note	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January		211,741	109,812
Additions		—	157,059
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	6	(14,651)	(45,192)
Carrying amount at 31 December		38,734	211,741
Cost		98,314	297,478
Accumulated depreciation		(59,580)	(85,737)
Carrying amount at 31 December		38,734	211,741

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 were revalued on 31 December 2024 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers, at RMB42,000,000 (2023: RMB220,900,000). The investment properties are leased to third parties under operating leases, further details of which are included in note 16 to the financial statements.

Notes to the Financial Statements

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15. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

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

	2024 RMB'000	2023 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).

The investment properties are measured initially at cost less accumulated depreciation and provision for any impairment in value.

Set out below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant unobservable input
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.

Notes to the Financial Statements

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16. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land, retail stores and offices used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 3 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of retail stores and office generally have lease terms between 2 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(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	Leased retail stores and office RMB'000	Total RMB'000
As at 1 January 2023	371,136	37,560	408,696
Additions during the year	16,037	3,636	19,673
Depreciation charge	(14,814)	(12,362)	(27,176)
Termination of leases	–	(6,824)	(6,824)
Impairment	(315)	–	(315)
Exchange realignment	–	1,043	1,043
As at 31 December 2023 and 1 January 2024	372,044	23,053	395,097
Additions during the year	–	7,506	7,506
Early termination of a lease	(4,256)	–	(4,256)
Disposal of a leasehold land	(17,133)	–	(17,133)
Depreciation charge	(11,457)	(11,256)	(22,713)
Exchange realignment	–	514	514
As at 31 December 2024	339,198	19,817	359,015

At 31 December 2024, leasehold land amounting to RMB63,891,000 (2023: RMB73,436,000) located in Mainland China did not have land use right certificates as the land is leased from various independent third parties.

Notes to the Financial Statements

31 December 2024

16. LEASES (Continued)

The Group as a lessee (Continued)

- (b) The consolidated statement of profit or loss and the consolidated statement of cash flows contain the following amounts relating to leases:

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets	22,713	27,176
Interest expenses on lease liabilities	3,484	9,144
Expenses relating to short-term leases	1,564	1,469
Early termination of leases	(632)	(1,475)
Gain on lease modification	–	(465)
Impairment of right-of-use assets	–	315
The cash outflow for leases as financing activities	(35,612)	(80,661)

(c) Lease liabilities

	2024 RMB'000	2023 RMB'000
Minimum lease payments due:		
– Within one year	45,808	93,864
– More than one year but less than two years	19,139	67,621
– More than two years but less than five years	21,242	112,833
– Five or more years	689	3,304
Total minimum lease payments	86,878	277,622
Less: Future finance charges	(5,626)	(18,960)
Total lease liabilities	81,252	258,662
Portion classified as current liabilities	(27,429)	(87,402)
Non-current portion	53,823	171,260

The total cash outflow for leases is disclosed in note 36(iii) to the financial statements.

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16. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 15) 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 note 5 to the consolidated financial statements.

17. GOODWILL

	RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	
Cost	134,514
Accumulated impairment	(22,112)
Net carrying amount	112,402

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Jilin Feihe Alfbeta Dairy Co., Ltd. ("Alfbeta Business"), established in Jilin Province, the PRC
- Feihe (Shaanxi) Dairy Product Co., Ltd. (formerly known as Shaanxi Xiaoyang Miaohe Dairy Company Limited) ("XYM Business"), established in Shaanxi Province, the PRC

	2024 RMB'000	2023 RMB'000
Carrying amount of goodwill – Alfbeta Business	47,976	47,976
Carrying amount of goodwill – XYM Business	64,426	64,426
Total	112,402	112,402



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17. GOODWILL (Continued)

Alfbeta Business

The recoverable amount of Alfbeta Business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.3% (2023: 10.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2023: 3.0%), which is the same as the long-term average growth rate of the dairy industry.

Assumptions were used in the value in use calculation of Alfbeta Business cash-generating unit for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The basis used to determine the value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of Alfbeta Business and discount rates are consistent with external information sources.

XYM Business

The recoverable amount of XYM Business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.8% (2023: 10.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2023: 3.0%), which is the same as the long-term average growth rate of the dairy industry.

Assumptions were used in the value in use calculation of XYM Business cash-generating unit for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue – The basis used to determine the value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

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17. GOODWILL (Continued)

XYM Business (Continued)

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of XYM Business and discount rates are consistent with external information sources.

18. INTANGIBLE ASSETS

	Trademarks RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	16,334
Amortisation provided during the year	(2,173)
At 31 December 2024	14,161
At 31 December 2024	
Cost	21,801
Accumulated amortisation	(7,640)
Net carrying amount	14,161
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	18,514
Amortisation provided during the year	(2,180)
At 31 December 2023	16,334
At 31 December 2023	
Cost	21,801
Accumulated amortisation	(5,467)
Net carrying amount	16,334

19. INVESTMENT IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Share of net assets	–	3,338

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19. INVESTMENT IN A JOINT VENTURE (Continued)

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			
			Ownership interest	Voting power	Profit sharing	Principal activity
Canada Agri-food Quality Science Inc.	Common shares of CAD32.67 and Class B shares of CAD1,293,600	Canada	33%	33%	33%	Inspection and certification of agri-food products

The above investment is held through an indirectly wholly-owned subsidiary of the Company.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2024 RMB'000	2023 RMB'000
Share of the joint venture's loss for the year	(3,272)	(1,450)
Carrying amount of the Group's investments in the joint venture	—	3,338

20. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Unlisted shares, at cost	117,826	97,336
Loans to an associate	2,530	2,530
	120,356	99,866

The loans to an associate are unsecured, interest-free and not repayable within 12 months from the end of the reporting period.

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20. INVESTMENTS IN ASSOCIATES (Continued)

In the opinion of the directors, these loans are unlikely to be repaid in the foreseeable future and are considered as part of the Group's net investment in the associate. As at 31 December 2024 and 31 December 2023, the loss allowance was assessed to be minimal.

Particulars of the associates are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jilin Green Energy Ecological Livestock Co. Ltd. (吉林綠能生態牧業有限公司) ("Jilin Green Energy")	RMB350,000,000	The PRC/ Mainland China	40%	Investment holding
Feihe Maomao Town (Harbin) Cultural Tourism (飛鶴毛毛鎮(哈爾濱)文化旅遊有限公司) ("Feihe Maomao Town")	RMB10,000,000	The PRC/ Mainland China	49%	Tourism

The Group's shareholdings in the associates are held through indirectly wholly-owned subsidiaries of the Company.

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20. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information in respect of Jilin Green Energy adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	33,020	33,010
Non-current assets	156,880	153,191
Current liabilities	(97,407)	(88,865)
Net assets	92,493	97,336
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	40%	40%
Carrying amount of the investments [#]	92,493	97,336
Revenue	—	—
Loss for the year	(4,843)	(5,958)
Total comprehensive loss for the year	(4,843)	(5,958)
Share of the associate's total comprehensive loss for the year	(4,843)	(5,958)

[#] As at 31 December 2024 and 31 December 2023, other investors of the associate had not injected their agreed proportion of capital.

The following table illustrates the financial information of the Group's associate that is not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associate's loss for the year	(4,067)	—
Share of the associate's total comprehensive loss for the year	(4,067)	—
Carrying amount of the Group's investment in the associate	25,333	—

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21. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value	1,800	1,800

An unlisted equity investment with a carrying amount of RMB1,800,000 was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature. There were no significant changes in the market value of the unlisted equity investment at the end of the reporting period. The fair value of the investment has been categorised as Level 3 of the fair value hierarchy. A significant increase/(decrease) in the price-book ratios of comparable companies would result in a significant increase/(decrease) in the fair value of the investment.

22. DEPOSITS

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	110,873	319,776
Additions for items of property, plant and equipment	97,223	26,674
Transfer to property, plant and equipment (<i>note 14</i>)	(161,757)	(24,801)
Transfer to biological assets	–	(210,776)
Carrying amount at 31 December	46,339	110,873

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23. 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 RMB'000	2023 RMB'000
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 the 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 nine 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.

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31 December 2024

23. BIOLOGICAL ASSETS (Continued)

(a) Nature of activities (Continued)

As at 31 December 2024, the Group did not own any dairy goats upon the disposal of a subsidiary. 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.

	2024 RMB'000	2023 RMB'000
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.

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23. BIOLOGICAL ASSETS (Continued)

(b) Value of dairy cows and goats

The value of dairy cows at the end of the reporting period was as follows:

	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

Notes to the Financial Statements

31 December 2024

23. BIOLOGICAL ASSETS (Continued)

(b) Value of dairy cows and goats (Continued)

The value of dairy goats at the end of the reporting period was as follows:

	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	(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 31).

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. 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.

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23. 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 assumptions 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.

Notes to the Financial Statements

31 December 2024

23. BIOLOGICAL ASSETS (Continued)

(c) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets.

	Fair value measurement using significant unobservable inputs (Level 3)	
	2024 RMB'000	2023 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 RMB'000	2023 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 RMB'000	2023 RMB'000
Increase in milk price of 10%	490,980	424,990
Decrease in milk price of 10%	(490,980)	(424,990)

Notes to the Financial Statements

31 December 2024

23. 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

24. INVENTORIES

	2024 RMB'000	2023 RMB'000
Feed	649,498	760,127
Raw materials	67,265	304,880
Work in progress	1,009,150	676,838
Finished goods	404,585	481,875
Others	23,447	34,339
	2,153,945	2,258,059

25. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	382,041	423,743
Bills receivable	25,234	16,244
	407,275	439,987
Impairment	(12,056)	(8,803)
	395,219	431,184

The Group has a policy of requiring payment in advance from customers for the sale of products (other than cash and credit card sales and sales of raw milk), except for some major customers, where the trading terms are on credit. The Group grants a defined credit period usually ranging from one to three months from the date of invoice to these customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

Notes to the Financial Statements

31 December 2024

25. TRADE AND BILLS RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
Within 1 month	308,529	231,086
1 to 2 months	41,518	144,011
2 to 3 months	20,016	30,321
Over 3 months	25,156	25,766
	395,219	431,184

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	8,803	7,842
Impairment loss recognised, net	3,253	961
At end of year	12,056	8,803

An impairment analysis was performed at each reporting date using a probability of default approach to measure expected credit losses. The expected credit losses were estimated by reference to the probability of default and loss given default for the relevant credit rating grades published by international credit rating agencies. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was 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. As at 31 December 2024, the probability of default applied ranged from 0.29% to 100% (2023: from 0.31% to 100%) and the loss given default was estimated to be ranged from 61.7% to 100% (2023: from 62.2% to 100%).

Notes to the Financial Statements

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2024 RMB'000	2023 RMB'000
Prepayments		344,080	315,528
Deposits		50,580	35,008
Other receivables		380,917	373,228
		775,577	723,764
Impairment	(i)	(107,013)	(28,805)
		668,564	694,959

Note:

- (i) The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9 and considered the historical loss rate and adjusted for macroeconomic data in calculating the expected loss rate.

The movements in the loss allowance for impairment of other receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	28,805	28,805
Impairment loss recognised, net	78,208	–
At end of year	107,013	28,805

Except as disclosed above, none of the 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.

Notes to the Financial Statements

31 December 2024

27. STRUCTURED DEPOSITS

Structured deposits were stated at fair value and represented ten (2023: fifteen) wealth management products issued by banks. The principals and returns were not guaranteed by the relevant banks and the maximum expected rates of return ranging from 1.00% to 4.20% per annum (2023: from 2.30% to 4.20% per annum). The Group designated these structured deposits as investments at fair value through profit or loss upon initial recognition. The Group uses the structured deposits primarily to enhance the return on investment.

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2024 RMB'000	2023 RMB'000
Cash and bank balances	9,949,127	11,039,159
Less:		
Long-term bank deposits	(600,000)	(540,000)
Restricted cash	(27,905)	(58,218)
Cash and cash equivalents as stated in the consolidated statement of financial position	9,321,222	10,440,941
Less:		
Non-pledged time deposits with original maturity of more than three months when acquired	(2,106,610)	(2,993,560)
Cash and cash equivalents as stated in the consolidated statement of cash flows	7,214,612	7,447,381

At the end of the reporting period, cash and bank balances of the Group denominated in RMB amounted to RMB8,266,169,000 (2023: RMB9,475,555,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

Notes to the Financial Statements

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29. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade and bills payables	1,565,160	1,838,223

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 3 months	1,428,376	1,730,387
3 to 6 months	65,890	68,854
Over 6 months	70,894	38,982
	1,565,160	1,838,223

The trade and bills payables are unsecured, non-interest-bearing and are normally settled on terms of one to six months.

Notes to the Financial Statements

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30. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Deferred income	(i)	716,743	632,893
Other payables		1,404,668	1,666,270
Accruals		2,125,442	2,299,214
Contract liabilities	(ii)	559,799	683,327
		4,806,652	5,281,704
Non-current portion		(705,608)	(620,756)
Current portion		4,101,044	4,660,948

Notes:

- (i) Deferred income represents government grants received by the Group in respect of the construction and acquisition of property, plant and equipment, the purchases of feed and the construction of farms. These government grants are recorded initially at fair value as deferred income, which are amortised to match the depreciation charge of the property, plant and equipment in accordance with their estimated useful lives. The movements in deferred income are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	632,893	636,245
Received during the year	158,815	49,085
Amortisation during the year	(71,158)	(57,221)
Exchange realignment	(3,807)	4,784
At the end of the year	716,743	632,893

- (ii) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Short-term advances from customers		
Sale of goods	559,799	683,327

Contract liabilities mainly represent short-term advances received from customers to deliver dairy products.

The other payables are non-interest-bearing and have an average term of three months.

Notes to the Financial Statements

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31. INTEREST-BEARING BANK BORROWINGS

	31 December 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan – secured	2.40-3.85	2025	350,172	2.90-3.80	2024	254,914
Bank loan – unsecured	3.20-3.70	2025	164,632	3.60-3.85	2024	250,000
			514,804			504,914
Non-current						
Bank loans – secured	3.15-3.85	2027	485,054	3.65-3.85	2027	872,836
			485,054			872,836
			999,858			1,377,750

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	514,804	504,914
In the third to the fifth years, inclusive	485,054	872,836
	999,858	1,377,750

31. INTEREST-BEARING BANK BORROWINGS (Continued)

- (a) As at 31 December 2024 and 2023, 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 subsidiary (2023: YST's then chief executive officer, who resigned in February 2024), his wife and a subsidiary of the Group, and were also secured by mortgages over 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: RMB253,346,000) have been 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 subsidiary (2023: YST's then chief executive officer, who resigned in February 2024), his wife and a subsidiary of the Group, and were also secured by mortgages over 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 mortgages over the Group's equipment with an aggregate carrying value at the end of the reporting period of RMB25,573,000 (2023: RMB27,626,000), of which none was unutilised (2023: Nil) as at 31 December 2024.
- (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 of the Group, his wife and a subsidiary of the Group, and were also secured by mortgages over 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.

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32. DEFERRED TAX

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

Deferred tax liabilities

	2024						
	Fair value change on structure deposits RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Unrecognised tax benefits and surcharge RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2024	24,877	727	85,413	525	52,935	700,413	864,890
Deferred tax credited to the statement of profit or loss during the year (note 11)	(2,232)	(325)	-	(525)	(44,160)	(328,123)	(375,365)
Exchange realignment	-	-	2,056	-	-	-	2,056
Gross deferred tax liabilities at 31 December 2024	22,645	402	87,469	-	8,775	372,290	491,581

Deferred tax assets

	2024						Total RMB'000
	Tax loss RMB'000	Accruals RMB'000	Deferred income RMB'000	Unrealised profits on inventories RMB'000	Write-down of inventories RMB'000	Lease liabilities RMB'000	
At 1 January 2024	7,731	293,220	71,017	16,430	13,818	51,640	453,856
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	(7,731)	(40,245)	(14,036)	(10,420)	16,636	(41,328)	(97,124)
Gross deferred tax assets at 31 December 2024	-	252,975	56,981	6,010	30,454	10,312	356,732

Notes to the Financial Statements

31 December 2024

32. DEFERRED TAX (Continued)

Deferred tax liabilities

	2023						
	Fair value change on structure deposits RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Unrecognised tax benefits and surcharge RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2023	–	1,052	82,984	652	27,442	881,276	993,406
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 11)	24,877	(325)	–	(127)	25,493	(180,863)	(130,945)
Exchange realignment	–	–	2,429	–	–	–	2,429
Gross deferred tax liabilities at 31 December 2023	24,877	727	85,413	525	52,935	700,413	864,890

Deferred tax assets

	2023						
	Tax loss RMB'000	Accruals RMB'000	Deferred income RMB'000	Unrealised profits on inventories RMB'000	Write-down of inventories RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	–	314,217	77,596	47,150	–	28,094	467,057
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 11)	7,731	(20,997)	(6,579)	(30,720)	13,818	23,546	(13,201)
Gross deferred tax assets at 31 December 2023	7,731	293,220	71,017	16,430	13,818	51,640	453,856

Notes to the Financial Statements

31 December 2024

32. DEFERRED TAX (Continued)

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	347,957	402,216
Net deferred tax liabilities recognised in the consolidated statement of financial position	482,806	813,250

The Group has tax losses arising in Mainland China, the United States of America and Canada of RMB202,220,914 (2023: RMB30,924,000), RMB612,757,532 (2023: RMB583,265,304) and RMB379,525,259 (2023: RMB265,743,971) that will expire in one to five years, one to five years and one to twenty years for offsetting against future taxable profits, respectively.

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.

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 10% for the Group.

At the end of the reporting period, the directors of the Company, based on the Group's operation and expansion plan, estimated that part of the retained earnings of the PRC subsidiaries would be retained in Mainland China for use in future operations and investments. 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 RMB12,934,358,000 (2023: RMB10,664,601,000) at 31 December 2024.

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

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33. SHARE CAPITAL

	Note	Number of shares		2024 RMB'000	2023 RMB'000
		2024	2023		
Authorised					
2,000,000,000,000 ordinary shares of US\$0.000000025 each		2,000,000,000,000	2,000,000,000,000	303	303
Issued and paid-up					
Balance as at 1 January		9,067,251,704	9,083,406,704	1	1
Cancellation of shares repurchased	(i)	–	(16,155,000)	–	–
At 31 December		9,067,251,704	9,067,251,704	1	1

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Note:

- (i) During the year ended 31 December 2023, the Company repurchased 1,000,000 ordinary shares on the Stock Exchange of Hong Kong Limited at total consideration of approximately RMB4,092,000, all of which were cancelled during the same year and the premium paid on the repurchase of these shares has been charged to the share premium account.

During the year ended 31 December 2023, 15,155,000 ordinary shares, which were repurchased on the Stock Exchange of Hong Kong Limited at approximately RMB74,775,000 during the year ended 31 December 2022, were cancelled and the premium paid on the repurchase of these shares has been charged to the share premium account.

Share options

Details of the share option schemes and the share options issued are included in note 34 to the financial statements.

Share awards

Details of the share award plan are included in note 34 to the financial statements.



Notes to the Financial Statements

31 December 2024

34. SHARE BASED PAYMENTS

(a) Share option scheme of the Company

On 22 June 2020, the Group adopted a share option scheme (the “2020 Share Option Scheme”). The purpose of the 2020 Share Option Scheme is to (i) to attract and retain skilled and experienced personnel for positions of substantial responsibility; (ii) to provide additional incentive to directors of the Group, key employees and other stakeholders of the Group; and (iii) to promote the success of the Group’s business.

On 2 February 2021, a total of 37,250,000 share options were granted to eligible persons to subscribe for a total of 37,250,000 new shares of the Company of US\$0.000000025 each, with the first vesting date on 2 February 2022 (“First Vesting Date”) 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. These share options are exercisable at HK\$23.80 per share and must be exercisable within ten years from the grant date, and if not so exercised, the share options shall lapse.

On 15 July 2021, a total of 8,193,800 share options were granted to eligible persons to subscribe for a total of 8,193,800 new shares of the Company of US\$0.000000025 each, with the first vesting date on 15 July 2022 (“First Vesting Date”) 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. These share options are exercisable at HK\$16.84 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 7,860,000 share options were granted to eligible persons to subscribe for a total of 7,860,000 new shares of the Company of US\$0.000000025 each, with the first vesting date on 24 January 2023 (“First Vesting Date”) 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. These share options are exercisable at HK\$11.76 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 Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2020 Share Option Scheme as an equity-settled plan.

Notes to the Financial Statements

31 December 2024

34. SHARE BASED PAYMENTS (Continued)

(a) Share option scheme of the Company (Continued)

Share options do not confer rights on the holders to dividends or voting rights at shareholders' meetings. The movements of options granted pursuant to the 2020 Share Option Scheme are as follows:

	Weighted average exercise price per share HK\$	Number of options
At 1 January 2023	20.48	43,198,900
Granted during the year	22.78	(3,717,700)
Forfeited during the year	20.07	(29,338,400)
At 31 December 2023 and January 2024	20.98	10,142,800
Cancelled/lapsed during the year	20.98	(10,142,800)
At 31 December 2024	—	—

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2023 Number of options	Exercise price per share HK\$	Exercise period
7,421,000	23.80	02-02-22 to 01-02-31
829,800	16.84	15-07-22 to 14-07-31
1,892,000	11.76	24-01-23 to 23-01-32
10,142,800		

As at the year ended 31 December 2023, the estimated fair value of the share options under the 2020 Share Option Scheme granted was HK\$420,614,000.

The Group recognised a share option expense of RMB24,754,000 (2023: RMB95,776,000) during the year ended 31 December 2024, which consisted of the expenses related to the cancellation of the 2020 Share Option Scheme.

At the end of the reporting period, the Company had no share options outstanding under the 2020 Share Option Scheme.

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34. SHARE BASED PAYMENTS (Continued)

(b) Share award plan of the Company

On 25 May 2023, the Company adopted a share award plan (the “2023 Share Award Plan”). The purpose of the 2023 Share Award Plan is to (i) recognise and reward the contribution of certain eligible participants to the growth and development of the Group and give incentives thereto in order to retain them for the continual operation and development of the Group, and (ii) attract suitable personnel for further development of the Group.

The 2023 Share Award Plan shall be subject to the administration by the board of directors of the Company (the “Board”) or the person(s) from time to time delegated by the Board with the power and authority to administer the 2023 Share Award Plan in accordance with the terms of the 2023 Share Award Plan and the trust deed.

During the year ended 31 December 2023, a director and certain eligible participants of the Group were entitled to incentives amounting to RMB361,000 and RMB66,519,000, respectively. The incentives would be settled either by cash or shares of the Company. The performance targets must be fulfilled before the first vesting date on 24 January 2024 (“Vesting Date”), on which up to 60% of the incentives to be vested, and up to 80% and 100% of the incentives to be vested on the first and second anniversaries 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, the Group accrued incentives of approximately RMB66,880,000. On 24 January 2024, 104,762 shares and 19,318,582 shares of the Company were granted and vested to a director and certain eligible employees with fair values amounting to RMB361,000 and RMB66,519,000, respectively. During the year, management determined 20% of the incentives would be settled by shares, amounting approximately RMB26,232,000.

During the year, 2,390,052 shares of the Company were granted to certain eligible participants of the Group. The performance targets to be archived before 60% of the granted shares were vested, and up to 80% and 100% of the incentives to be vested by the successive two years. During the year, the Group recognised an equity-settled expense of the RMB3,176,000 related to the vested shares of the Company.

	2024 Share awards
Outstanding at 1 January	–
Additions during the year	2,390,052
Less: released in the year	(957,740)
Less: lapsed in the year	(476,291)
Outstanding at 31 December	956,021

34. SHARE BASED PAYMENTS (Continued)

(b) Share award plan of the Company (Continued)

The fair value of a share award is based on the share price at the date of grant. The closing price of the Company's share at 31 December 2024 was HK\$4.27.

The weighted average remaining vesting period as at 31 December 2024 was 1.48 years.

Subsequent to the end of the reporting period, on 24 January 2025, a total of 5,367,079 awarded shares were granted to eligible participants.

35. 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.

Capital contribution reserve

Capital contribution reserve represents the deemed contribution from the Company's then immediate holding company in relation to the share options granted therefrom to the Group's employees.

Reserve funds

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Other reserves

The other reserves represents the aggregate of the nominal value of the paid-up capital of the subsidiaries acquired pursuant to the reorganisation.

Notes to the Financial Statements

31 December 2024

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(i) Major non-cash transactions

During the year, the Group acquired certain items of property, plant and equipment of which the considerations were partially settled by deposits previously paid with an aggregate carrying amount of RMB161,757,000 (2023: RMB24,801,000).

During the year, the Group had non-cash additions to investment properties, right-of-use assets and lease liabilities of Nil (2023: RMB157,059,000), RMB7,506,000 (2023: RMB3,636,000) and RMB7,506,000 (2023: RMB160,695,000), respectively, in respect of lease arrangements for the leased land and retail stores.

(ii) Changes in assets and liabilities arising from financing activities

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2023	192,615	1,308,630
Changes from financing cash flows	(80,661)	55,745
New leases	160,695	—
Reassessment and revision of lease terms	(10,112)	—
Termination of leases	(8,299)	—
Others	2,182	—
Foreign exchange movement	2,242	13,375
At 31 December 2023	258,662	1,377,750
Changes from financing cash flows	(35,612)	(377,892)
New leases	7,506	—
Termination of leases	(150,075)	—
Accretion of interest recognised during the year	3,484	—
Interest paid classified as operating cash flows	(3,484)	—
Disposal of subsidiary	(315)	—
Foreign exchange movement	1,086	—
At 31 December 2024	81,252	999,858

Notes to the Financial Statements

31 December 2024

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(iii) 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	4,910	10,613
Within financing activities	35,612	80,661
	40,522	91,274

37. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank borrowings are included in note 31 to the financial statements.

38. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Construction and purchases of items of property, plant and equipment	337,225	294,011

Notes to the Financial Statements

31 December 2024

39. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2024 RMB'000	2023 RMB'000
Companies controlled by the controlling shareholder:		
Purchase of milk product	9,740	5,806
Purchase of goods	11,001	710

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(b) **Compensation of key management personnel of the Group**

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	30,874	31,401
Post-employment benefits	273	259
Total compensation paid/payable to key management personnel	31,147	31,660

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

Notes to the Financial Statements

31 December 2024

40. 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:

31 December 2024

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition RMB'000	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income – equity investments RMB'000	Total RMB'000
Long-term bank deposits	–	600,000	–	600,000
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Trade and bills receivables	–	395,219	–	395,219
Financial assets included in prepayments, deposits and other receivables	–	324,484	–	324,484
Structured deposits	9,681,736	–	–	9,681,736
Restricted cash	–	27,905	–	27,905
Cash and cash equivalents	–	9,321,222	–	9,321,222
	9,681,736	10,668,830	1,800	20,352,366

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,565,160
Financial liabilities included in other payables and accruals	2,626,028
Interest-bearing bank borrowings	999,858
Lease liabilities	81,252
	5,272,298

Notes to the Financial Statements

31 December 2024

40. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition RMB'000	Financial assets at amortised cost RMB'000	Financial assets at fair value through other comprehensive income – equity investments RMB'000	Total RMB'000
Long-term bank deposits	–	540,000	–	540,000
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Trade and bills receivables	–	431,184	–	431,184
Financial assets included in prepayments, deposits and other receivables	–	379,431	–	379,431
Structured deposits	8,670,910	–	–	8,670,910
Restricted cash	–	58,218	–	58,218
Cash and cash equivalents	–	10,440,941	–	10,440,941
	8,670,910	11,849,774	1,800	20,522,484

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,838,223
Financial liabilities included in other payables and accruals	2,956,504
Interest-bearing bank borrowings	1,377,750
Lease liabilities	258,662
	6,431,139

Notes to the Financial Statements

31 December 2024

41. 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 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Financial liabilities				
Interest-bearing bank borrowings	999,858	1,377,750	999,695	1,377,054

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables 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 financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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.

The fair values of the structured deposits are determined in accordance with discounted cash flow analysis. The fair values of financial assets and financial liabilities carried at amortised cost approximate to their carrying amounts.

Notes to the Financial Statements

31 December 2024

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 31 December 2024				
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Structured deposits	–	9,681,736	–	9,681,736
At 31 December 2023				
Financial asset at fair value through other comprehensive income	–	–	1,800	1,800
Structured deposits	–	8,670,910	–	8,670,910

The Group did not have any 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).

The fair value of the financial asset at fair value through other comprehensive income was estimated using the market approach, with an unobservable input as the price-to-book ratio of comparable companies. A 20% (2023: 20%) increase/decrease in the price-to-book ratio of comparable companies would result in an increase/decrease in fair value by approximately RMB360,000 (2023: RMB360,000).

Notes to the Financial Statements

31 December 2024

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
At 31 December 2024				
Interest-bearing bank borrowings	–	999,695	–	999,695
At 31 December 2023				
Interest-bearing bank borrowings	–	1,377,054	–	1,377,054

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, deposits and other receivables, structured deposits, financial asset at fair value through other comprehensive income, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The Group's policies for managing each of these risks are summarised below.

Interest rate risk

The Group is exposed to interest rate risk due to changes in interest rates of interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly deposits with banks which are mostly short-term in nature whereas interest-bearing financial liabilities are mainly bank borrowings with primarily floating interest rates. The Group is therefore exposed to interest rate risk. The Group's policy is to obtain the most favourable interest rates available.

Notes to the Financial Statements

31 December 2024

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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 (through the impact on floating rate borrowings). There is no impact on the Group's equity, except on retained profits.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
31 December 2024		
US\$	50	8,062
RMB	50	89,162
US\$	(50)	(8,062)
RMB	(50)	(89,162)
31 December 2023		
US\$	50	7,410
RMB	50	90,582
US\$	(50)	(7,410)
RMB	(50)	(90,582)

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 and cash collateral may be required. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Notes to the Financial Statements

31 December 2024

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging

The tables below show 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. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables*	–	–	–	382,041	382,041
Bills receivable					
– Not yet past due	25,234	–	–	–	25,234
Financial assets included in prepayments, deposits and other receivables					
– Normal**	324,484	–	107,013	–	431,497
Long-term bank deposits					
– Not yet past due	600,000	–	–	–	600,000
Restricted cash – Not yet past due	27,905	–	–	–	27,905
Cash and cash equivalents					
– Not yet past due	9,321,222	–	–	–	9,321,222
	10,298,845	–	107,013	382,041	10,787,899

Notes to the Financial Statements

31 December 2024

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month	Lifetime ECLs				Total
	ECLs	Simplified				
	Stage 1	Stage 2	Stage 3	approach		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	423,743	423,743	
Bills receivable						
– Not yet past due	16,244	–	–	–	16,244	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	379,431	–	–	–	379,431	
Long-term bank deposits						
– Not yet past due	540,000	–	–	–	540,000	
Restricted cash – Not yet past due	58,218	–	–	–	58,218	
Cash and cash equivalents						
– Not yet past due	10,440,941	–	–	–	10,440,941	
	11,434,834	–	–	423,743	11,858,577	

* For trade receivables which the Group applies the simplified approach for impairment, information is disclosed in note 25 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables 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 and bills receivables are disclosed in note 25 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade and bills receivables are widely dispersed in different countries.

Notes to the Financial Statements

31 December 2024

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US\$, CAD and HK\$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax RMB'000
31 December 2024		
US\$	5	84,983
CAD	5	(6,360)
HK\$	5	2,327
US\$	(5)	(84,983)
CAD	(5)	6,360
HK\$	(5)	(2,327)
31 December 2023		
US\$	5	74,426
CAD	5	(4,873)
HK\$	5	2,269
US\$	(5)	(74,426)
CAD	(5)	4,873
HK\$	(5)	(2,269)

Notes to the Financial Statements

31 December 2024

42. 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 borrowings. The Group's policy is to regularly monitor the current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and available banking facilities to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total RMB'000
At 31 December 2024				
Trade and bills payables	1,565,160	–	–	1,565,160
Financial liabilities included in other payables and accruals	2,626,028	–	–	2,626,028
Lease liabilities	45,808	40,381	689	86,878
Interest-bearing bank borrowings	619,535	442,366	–	1,061,901
	4,856,531	482,747	689	5,339,967
At 31 December 2023				
Trade and bills payables	1,838,223	–	–	1,838,223
Financial liabilities included in other payables and accruals	2,956,504	–	–	2,956,504
Lease liabilities	93,864	180,454	3,304	277,622
Interest-bearing bank borrowings	548,089	955,080	–	1,503,169
	5,436,680	1,135,534	3,304	6,575,518

Notes to the Financial Statements

31 December 2024

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment 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 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 capital. Net debt is calculated as interest-bearing bank borrowings, as shown in the consolidated statement of financial position less cash and bank balances. Total capital is calculated as equity holders' funds (i.e., total equity attributable to owners of the Company), as shown in the consolidated statement of financial position. The gearing ratios as at the end of the reporting period were as follows:

	2024 RMB'000	2023 RMB'000
Interest-bearing bank borrowings	999,858	1,377,750
Less:		
Cash and bank balances	(9,321,222)	(10,440,941)
Net debt	(8,321,364)	(9,063,191)
Total equity attributable to owners of the Company	25,933,185	24,944,859
Gearing ratio	(0.32)	(0.36)

Notes to the Financial Statements

31 December 2024

43. 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 ASSET		
Investments in subsidiaries	3,168,298	3,068,894
CURRENT ASSETS		
Inventories	—	34,623
Due from subsidiaries	11,186,464	9,299,441
Cash and cash equivalents	226,800	226,069
Total current assets	11,413,264	9,560,133
CURRENT LIABILITIES		
Other payables and accruals	20,792	87,310
Due to subsidiaries	767,031	658,222
Total current liabilities	787,823	745,532
NET CURRENT ASSETS	10,625,441	8,814,601
Net assets	13,793,739	11,883,495
EQUITY		
Share capital	1	1
Reserves	13,793,738	11,883,494
Total equity	13,793,739	11,883,495

Notes to the Financial Statements

31 December 2024

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium account RMB'000	Capital contribution reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
1 January 2023	(74,775)	6,526,637	80,346	189,163	115,762	5,823,487	12,660,620
Profit for the year	-	-	-	-	-	1,540,646	1,540,646
Final 2022 dividend	-	-	-	-	-	(1,416,761)	(1,416,761)
Interim 2023 dividend	-	-	-	-	-	(1,136,522)	(1,136,522)
Equity-settled share option arrangements	-	-	-	95,776	-	-	95,776
Exchange differences on translation of financial statements of group companies	-	-	-	-	266,837	-	266,837
Shares repurchased	(4,092)	-	-	-	-	-	(4,092)
Cancellation of shares repurchased	78,867	(78,867)	-	-	-	-	-
Shares withheld for a share award plan	(123,010)	-	-	-	-	-	(123,010)
At 31 December 2023 and 1 January 2024	(123,010)	6,447,770	80,346	284,939	382,599	4,810,850	11,883,494
Profit for the year	-	-	-	-	-	4,218,853	4,218,853
Final 2023 dividend	-	-	-	-	-	(1,248,040)	(1,248,040)
Interim 2024 dividend	-	-	-	-	-	(1,351,924)	(1,351,924)
Equity-settled share option arrangements	-	-	-	24,754	-	-	24,754
Exchange differences on translation of financial statements of group companies	-	-	-	-	188,465	-	188,465
Share-based payment arrangements	110,842	(14,554)	-	-	-	-	96,288
Cancellation of share option	-	-	-	(309,693)	-	309,693	-
Shares withheld for a share award plan	(18,152)	-	-	-	-	-	(18,152)
At 31 December 2024	(30,320)	6,433,216	80,346	-	571,064	6,739,432	13,793,738

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.



Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meaning:

“AGM”	the annual general meeting of the Company to be held for the purpose, among others, approving the audited financial statements for the year ended 31 December 2024, which will be held on 29 May 2025
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Audit Committee”	the audit committee of the Board
“Award Notice”	the notice to be sent to the Trustee upon the making of a Share Award containing the particulars referred to in the 2023 Share Award Plan
“Awarded Share(s)”	the Share(s) provisionally awarded to a Selected Participant pursuant to a Share Award
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules in force during the Reporting Period
“China” or “PRC”	the People’s Republic of China, and for the purposes of this annual report for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
“Committee”	the person(s) from time to time delegated by the Board with the power and authority to administer the 2023 Share Award Plan in accordance with the terms of the 2023 Share Award Plan
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands
“Company”, “us”, “China Feihe” or “we”	China Feihe Limited (中國飛鶴有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 October 2012, whose Shares are listed on the main board of the Stock Exchange
“DIF Holding”	Diamond Infant Formula Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on October 24, 2012
“DIF Share Option(s)”	option(s) granted under the DIF Share Option Schemes to subscribe for DIF Ordinary Shares
“DIF Share Option Schemes”	collectively, the first pre-IPO share option scheme adopted by DIF Holding on 18 December 2013 and the second pre-IPO share option scheme adopted by DIF Holding on 1 January 2017
“Director(s)”	director(s) of the Company

Definitions

“Eligible Employee”	any employee (whether full time or part time) of the Group
“Eligible Participant(s)”	any person belonging to the following classes of participants: <ul style="list-style-type: none">(a) Employee Participant;(b) Related Entity Participant; and(c) Service Provider
“Employee Participant”	any director and employee of the Group
“Excluded Participant”	any person who is resident in a place where the award of the Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the 2023 Share Award Plan is not permitted under the laws and regulations of such place or where in the view of the Board or the Committee or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person
“Feihe HLJ”	Heilongjiang Feihe Dairy Co., Ltd.* (黑龍江飛鶴乳業有限公司), a wholly-owned subsidiary of the Company
“Global Offering”	the offer of the Shares for subscription as described in the section headed “Structure of the Global Offering” in the Prospectus
“Grantee”	any Participant who accepts the offer of the grant of any 2020 Share Option in accordance with the terms of the 2020 Share Option Scheme or (where the context so permits) any person entitled to any such 2020 Share Option in consequence of the death or incapacitation of the original Grantee, or the legal personal representative of such person
“Group” or “we” or “our” or “us”	the Company and its subsidiaries
“Group Contribution”	such contribution in the form of money or otherwise made by the Company or any of its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency for Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS(s)”	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)



Definitions

“Kingston Plant”	the production facility constructed in the city of Kingston, Ontario, Canada
“Latest Practicable Date”	21 April 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Listing Date”	13 November 2019, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“Offer Date”	the date on which such 2020 Share Option is offered to a Participant under the 2020 Share Option Scheme
“Offer Letter”	the letter by which an offer to grant a 2020 Share Option is made to a Participant
“Option Period”	the period to be determined and notified by the Board to each Grantee at the time of making an offer of any 2020 Share Option, which shall not be longer than ten (10) years from the date of grant of the 2020 Share Option
“Pre-IPO Share Option”	the pre-IPO share option(s) granted under the Pre-IPO Share Option Scheme
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 14 October 2019
“Prospectus”	the prospectus of the Company dated 30 October 2019 in connection with the Hong Kong public offering of the Company
“Related Entity”	the holding companies, fellow Subsidiaries or associated companies of the Company
“Related Entity Participant”	directors and employees of the Related Entity
“Remuneration Committee”	the remuneration committee of the Board

Definitions

“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the year commencing from 1 January 2024 and ending on 31 December 2024
“Returned Shares”	such Awarded Shares which are not vested and/or forfeited in accordance with the terms of the 2023 Share Award Plan (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or such Shares being deemed to be Returned Share
“Selected Participant”	any Eligible Participant for whom Shares have been provisionally set aside pursuant to a Share Award or his personal representative
“Service Provider”	any supplier, distributor, contractor, adviser (professional or otherwise) or consultant in any area of business or business development of any member of the Group, who provided its services to any member of the Group on a continuing and recurring basis
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of US\$0.000000025 each
“Share Award(s)”	a provisional award of the Awarded Shares made in accordance with the terms of the 2023 Share Award Plan
“Shares Pool”	the appropriate number of Awarded Shares set aside by the Trustee, at any time during the continuation of the 2023 Share Award Plan and the Trust Deed, out of a pool of issued Shares, fully paid or credited as fully paid, for the time being and from time to time held by the Trustee pursuant to the Trust Deed
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of a 2020 Share Option granted under the 2020 Share Option Scheme



Definitions

“subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere, and “subsidiaries” shall be construed accordingly
“Trust Deed”	the trust deed dated 25 May 2023 entered into by the Company as settlor and the Trustee as trustee in respect of Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof, as amended from time to time
“Trustee”	the original trustee or other trustee or trustees as shall be appointed pursuant to and in accordance with the terms of the Trust Deed
“United States” or “U.S.”	the United States of America and its territories
“US\$” or “USD”	the lawful currency of the United States
“Vesting Date”	in relation to any Selected Participant, the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Selected Participant pursuant to a Share Award
“Vitamin World International”	Vitamin World International Co., Ltd. (維他命世界國際有限公司)
“Vitamin World USA”	Vitamin World USA Corporation, a corporation incorporated in the State of Delaware, the United States on 13 December 2017 and a wholly-owned subsidiary of the Company
“YST”	YuanShengTai Dairy Farm Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1431)
“%”	per cent.
“2020 Share Option”	an option to subscribe for Shares granted pursuant to the 2020 Share Option Scheme
“2020 Share Option Scheme”	the share option scheme adopted by the Company on 22 June 2020
“2023 Share Award Plan”	the share award plan adopted by the Company on 25 May 2023