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MODERN FARMING  
现代牧业

**China Modern Dairy Holdings Ltd.**

**中國現代牧業控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1117)**

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**HIGHLIGHTS:**

With the corporate vision of “deploy the whole industry chain, innovate with digital intelligence, and be a global dairy farming leader” and focusing on the core business of raw milk, the Group continues to improve the layout of the entire industrial chain and control more high-quality resources, which will not only bring new contributions to the performance of the Company, but will also help the Group to reduce costs and increase efficiency in the core business of raw milk, and thus enhance the Group’s core competitiveness.

**Strong Growth in Core Business:** As the core business of the Group, the raw milk business has a solid and resilient foundation for development, and its herd size, AMY, total milk yield and sales revenue have all recorded substantial growth. As of 31 December 2022, the Group had invested and operated in 41 dairy farming companies in the PRC, and the number of dairy cows reached 405,358 heads, representing an increase of 51,565 heads over the previous year and a yoy increase of 14.6%. The average AMY per milkable dairy cow reached an industry-leading 12.2 tons this year, representing a yoy increase of 8.0%, which was better than expected and is expected to continue to grow. Total milk yield reached 2.36 million tons, representing a significant yoy increase of 46.6%. The sales revenue of raw milk amounted to RMB9,945 million, representing a yoy increase of 42.0%.

**Rapid Development of New Business:** During the year, the Group successfully acquired Aiyangniu Technology, and our business has since expanded to the operation of an internet platform for livestock industry, which together with the feed and forage segment from Fuyuan International, contributed RMB2.35 billion in the sales revenue of feed to the Group this year. Aiyangniu Technology and Fuyuan International have strengthened the vertical and horizontal layout of the Group’s industrial chain, maximized synergies, and brought new momentum to the Group’s development.

**Recognition Received for ESG Performance:** We adhere to ecological priority, actively participate in the international ESG rating system and strengthen ESG management, and have received high recognition for our ESG Performance. During the year, Modern Dairy ranked first among Chinese companies in the Global FAIRR Protein Producer Index. Our first-ever CDP climate questionnaire received a “B-“ rating, which was better than the industry average. Modern Dairy was selected as an excellent case in the report titled “Corporate Carbon Neutral Target Setting, Actions and Global Cooperation” released by United Nations Global Compact. We won the Best ESG Award from the Institutional Investor magazine for the first time, and our ESG governance has been recognized by the industry.

**Rating with Stable Outlook:** Modern Dairy has again been assigned a “BBB” investment grade rating by Standard & Poor’s during the year, with a stable outlook, which could help the Company to secure more competitive financing terms and lower the finance cost. Modern Dairy was the first dairy farming company in the PRC to have been assigned such a credit rating, which fully confirms the affirmation of the international credit rating agency for the Company and even China’s large-scale farming model, and establishes a good image for the industry in the international capital market.

**Excellent Product Quality:** Modern Dairy always give priority to product quality, and has established high-quality raw milk development strategies to pursue excellent quality. During the year, the main quality indicators of the Group’s raw milk, such as protein content, fat content, somatic cell count and microbial count, improved again over the same period last year. For nine consecutive years, our branded pure milk has won the Gold Award at the Monde Selection, signifying that our high-quality raw milk and business philosophy have been widely recognized and favoured by the industry and community.

(All amounts in Renminbi (“RMB”) millions unless otherwise stated)

<b>FINANCIAL DATA</b>	<b>2022</b>	2021	<b>Change</b>
Revenue	<b>12,295</b>	7,078	+73.7%
Cash EBITDA <i>(Note 1)</i>	<b>2,740</b>	2,434	+12.6%
Adjusted Net Profit <i>(Note 2)</i>	<b>950</b>	925	+2.7%
Net Asset Value Per Share <i>(RMB) (Note 3)</i>	<b>1.42</b>	1.37	+3.6%
<b>KEY OPERATING DATA</b>			
Total Raw Milk Sold <i>(ten thousand tons)</i>	<b>233</b>	159	+46.5%
Herd Size <i>(heads)</i>	<b>405,358</b>	353,793	+14.6%
Average Milk Yield <i>(tonnes/head • year)</i>	<b>12.2</b>	11.3	+8.0%

#### **DIVIDEND**

The Board recommended the payment of final dividend of RMB0.0142 per ordinary share (2021: RMB0.026).

*Notes:*

- (1) Cash EBITDA is defined as earnings before finance costs and tax having added back: i) depreciation and amortisation charged to profit and loss; ii) other gains and losses, net; iii) impairment losses under expected credit loss model, net of reversal; and iv) loss arising from changes in fair value less costs to sell of dairy cows.
- (2) The adjusted net profit is defined as net profit after excluding the gains and losses arising from foreign exchanges and derivative financial instruments.
- (3) Equity attributable to owners of the Company at the year end divided by the number of ordinary shares in issue as at 31 December 2022 and 31 December 2021, respectively.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Modern Dairy Holdings Ltd. (the “**Company**” or “**Modern Dairy**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022 (the “**year**”), together with comparative figures for the year ended 31 December 2021.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	5	<b>12,295,091</b>	7,078,470
Cost of sales	8	<b>(11,915,660)</b>	(6,907,441)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		<b><u>2,887,548</u></b>	<u>2,378,446</u>
Gross profit		<b>3,266,979</b>	2,549,475
Loss arising from changes in fair value less costs to sell of dairy cows		<b>(988,215)</b>	(956,011)
Other income	7	<b>201,559</b>	123,835
Impairment losses under expected credit loss model, net of reversal	10	<b>(1,995)</b>	(476)
Other gains and losses, net	8	<b>(376,662)</b>	51,103
Selling and distribution costs		<b>(369,887)</b>	(183,732)
Administrative expenses		<b>(730,203)</b>	(379,065)
Other expenses		<b>(42,386)</b>	(8,703)
Share of results of associates and a joint venture		<b><u>15,410</u></b>	<u>36,928</u>
<b>Profit before finance costs and tax</b>		<b>974,600</b>	1,233,354
Finance costs	9	<b><u>(379,559)</u></b>	<u>(198,132)</u>
<b>Profit before tax</b>		<b>595,041</b>	1,035,222
Income tax expense	11	<b><u>(14,775)</u></b>	<u>(2,023)</u>
<b>Profit for the year</b>		<b><u><u>580,266</u></u></b>	<u><u>1,033,199</u></u>

	<i>Note</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
<b>Other comprehensive (expense) income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		<b>(14,573)</b>	(2,425)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>21,332</u>	<u>(40)</u>
Other comprehensive income (expense) for the year, net of income tax		<u>6,759</u>	<u>(2,465)</u>
<b>Total comprehensive income for the year</b>		<b><u>587,025</u></b>	<b><u>1,030,734</u></b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>562,497</b>	1,018,832
Non-controlling interests		<u>17,769</u>	<u>14,367</u>
		<b><u>580,266</u></b>	<b><u>1,033,199</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>569,067</b>	1,016,407
Non-controlling interests		<u>17,958</u>	<u>14,327</u>
		<b><u>587,025</u></b>	<b><u>1,030,734</u></b>
<b>Earnings per share (RMB)</b>	<i>13</i>		
Basic		<b>7.16 cents</b>	14.43 cents
Diluted		<b><u>7.13 cents</u></b>	<b><u>14.39 cents</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,702,907	5,312,970
Right-of-use assets		1,256,949	725,164
Goodwill		2,406,658	2,075,591
Other intangible assets		45,258	3,777
Interests in associates and a joint venture		458,917	353,278
Equity instruments at FVTOCI		106,229	2,655
Biological assets		10,631,171	9,404,924
Prepayments	14	29,936	54,238
Derivative financial instruments		19,154	67,537
Pledged bank deposits		–	127,043
Bank balances		236,281	201,881
Deferred tax assets		827	2,337
		<u>20,894,287</u>	<u>18,331,395</u>
<b>CURRENT ASSETS</b>			
Inventories		3,379,346	2,191,269
Trade and other receivables and prepayments	14	2,183,907	1,221,871
Derivative financial instruments		22,202	–
Pledged bank deposits		187,339	41,631
Bank balances and cash		2,125,628	1,887,744
		<u>7,898,422</u>	5,342,515
Assets classified as held for sale		28,644	–
		<u>7,927,066</u>	5,342,515
<b>CURRENT LIABILITIES</b>			
Derivative financial instruments		14,388	17,758
Trade and other payables	15	3,288,701	3,144,194
Tax payable		5,004	1,903
Bank borrowings		4,831,164	2,380,683
Other borrowings		22,704	433,676
Short term debenture		100,522	–
Long term bonds		34,944	31,989
Lease liabilities		111,392	50,435
Other liabilities		4,573	–
Contract liabilities		43,204	5,343
Deferred income		11,563	–
		<u>8,468,159</u>	<u>6,065,981</u>
<b>NET CURRENT LIABILITIES</b>		<u>(541,093)</u>	<u>(723,466)</u>

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>20,353,194</u></b>	<b><u>17,607,929</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>675,869</b>	675,869
Reserves		<b><u>10,588,248</u></b>	<u>10,189,062</u>
Equity attributable to owners of the Company		<b>11,264,117</b>	10,864,931
Non-controlling interests		<b><u>379,183</u></b>	<u>249,803</u>
<b>TOTAL EQUITY</b>		<b><u>11,643,300</u></b>	<u>11,114,734</u>
<b>NON-CURRENT LIABILITIES</b>			
Derivative financial instruments		<b>43,646</b>	98,330
Trade and other payables	<i>15</i>	–	23,967
Bank borrowings		<b>3,752,421</b>	2,285,333
Other borrowings		<b>271,115</b>	203,328
Long term bonds		<b>3,458,072</b>	3,159,730
Lease liabilities		<b>956,653</b>	517,077
Deferred tax liabilities		<b>22,454</b>	20,868
Deferred income		<b><u>205,533</u></b>	<u>184,562</u>
		<b><u>8,709,894</u></b>	<u>6,493,195</u>
		<b><u>20,353,194</u></b>	<u>17,607,929</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the “**Company**”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KYI-1104, Cayman Islands.

As at 31 December 2022, China Mengniu Dairy Co., Ltd. (“**Mengniu**”) and its wholly-owned subsidiary together owned 56.36% of the issued share capital of the Company. Mengniu and its subsidiaries are hereinafter collectively referred to as “**Mengniu Group**”.

The principal activity of the Company is investment holding and its subsidiaries are mainly engaged in production and sales of milk, trading, production and sales of feeds. The Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

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

### (a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

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



## **2.1 Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework**

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

## **2.2 Impacts on application of Amendments to IFRS Standards Annual Improvements to IFRS Standards 2018–2020**

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards which are relevant to the Group:

### *IAS 41 Agriculture*

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

### 3. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation of consolidated financial statements

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

In preparation of the consolidated financial statements for the year ended 31 December 2022, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB541,093,000 (2021: RMB723,466,000). Taking into account, (i) the available credit facilities of approximately RMB5,759,918,000 which remain unutilised as at 31 December 2022 and of which, an amount of RMB1,000,000,000 is from Inner Mongolia Mengniu Dairy (Group) Company Limited ("**Inner Mongolia Mengniu**"), a subsidiary of Mengniu, and the remaining facilities are from licensed banks; (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

#### 3.2 Significant accounting policies *Basis of consolidation*

##### *Revenue from contracts with customers*

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

##### **Fair value measurements of biological assets**

The Group's biological assets are measured at fair value less costs to sell at the end of the reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For heifers and calves, the fair value is determined based on the 14 months old heifers' local market selling prices and adjusted by estimated feeding costs for heifers and calves older or younger than 14 months. For milkable cows, the fair value is determined by using the multi-period excess earning method with key inputs including the discount rate, the estimated feed costs per kilogram ("kg") of raw milk, estimated average daily milk yield at each lactation cycle and the estimated future market price of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets significantly. The carrying amount of the Group's biological assets as at 31 December 2022 was RMB10,631,171,000 (2021: RMB9,404,924,000).

##### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill has been allocated, which is the higher of its value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable pre-tax discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or when there is a downward revision to the estimated future cash flows due to changes in facts and circumstances, further impairment loss may arise.

As at 31 December 2022, the carrying amount of goodwill is RMB2,406,658,000 (2021: RMB2,075,591,000), net of accumulated impairment loss of RMB213,429,000 (2021: RMB213,429,000).

## 5. REVENUE

### (i) Disaggregation of revenue from contracts with customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods		
Raw milk	9,945,090	7,005,012
Feeds	<u>2,350,001</u>	<u>73,458</u>
	<u><u>12,295,091</u></u>	<u><u>7,078,470</u></u>
Timing of revenue recognition		
A point in time	<u>12,295,091</u>	<u>7,078,470</u>
Geographical markets		
Mainland China	11,944,167	7,059,603
Other countries	<u>350,924</u>	<u>18,867</u>
	<u><u>12,295,091</u></u>	<u><u>7,078,470</u></u>

### (ii) Performance obligations for contracts with customers

For the sales of raw milk, revenue is recognised when control of the raw milk has been transferred, being at the point the customer received and accepted the raw milk, the normal credit term of which is 30 days. For the sales of feeds, revenue is recognised when control of the feeds has been transferred, being at the point the customers received the feeds or at the point being despatched, depending on the terms of the contracts, the normal credit term is generally 30 to 90 days.

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

Sales of raw milk and feeds are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### (iv) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A		
Raw milk business	9,201,510	5,977,915
Feed business	<u>–</u>	<u>3,125</u>
	<u><u>9,201,510</u></u>	<u><u>5,981,040</u></u>

## 6. SEGMENT INFORMATION

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), in order to allocate resources and assess performance. In December 2021, the Group commenced the business of sales of feeds, which is regarded as a new operating segment by the CODM. Information reported to the CODM for the purposes of resources allocation and assessment of segment performance focuses on the types of goods delivered.

The Group’s reportable segments under IFRS 8 are as follows:

- Raw milk business – raising and breeding dairy cows to produce and sell raw milk.
- Feed business – trading, production and sales of feeds.

### Segment revenues and results

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

#### *For the year ended 31 December 2022*

	Raw milk business <i>RMB’000</i>	Feed business <i>RMB’000</i>	Total reportable segments <i>RMB’000</i>	Eliminations <i>RMB’000</i>	Consolidated <i>RMB’000</i>
<b>Segment revenue</b>					
External sales	9,945,090	2,350,001	12,295,091	–	12,295,091
Inter-segment sales	–	1,882,062	1,882,062	(1,882,062)	–
	<u>9,945,090</u>	<u>4,232,063</u>	<u>14,177,153</u>	<u>(1,882,062)</u>	<u>12,295,091</u>
Segment profit	<u>1,264,352</u>	<u>70,896</u>	<u>1,335,248</u>	<u>(9,278)</u>	<u>1,325,970</u>
Share of profit of associates					15,018
Unallocated other income					8,255
Unallocated other gains and losses					(369,429)
Unallocated expenses					<u>(384,773)</u>
Profit before tax					<u><u>595,041</u></u>

**For the year ended 31 December 2021**

	Raw milk business <i>RMB'000</i>	Feed business <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue					
External sales	7,005,012	73,458	7,078,470	–	7,078,470
Inter-segment sales	–	368,142	368,142	(368,142)	–
	<u>7,005,012</u>	<u>441,600</u>	<u>7,446,612</u>	<u>(368,142)</u>	<u>7,078,470</u>
Segment profit	<u>1,127,828</u>	<u>4,128</u>	<u>1,131,956</u>	<u>–</u>	<u>1,131,956</u>
Share of profits of associates					36,928
Unallocated other income					2,733
Unallocated other gains and losses					60,778
Unallocated expenses					<u>(197,173)</u>
Profit before tax					<u><u>1,035,222</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration expenses, corporate income and expenses, certain other gains and losses and share of profit of associates that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance. Inter-segment revenue is charged at prices agreed between group entities, which are determined by reference to the prices offered to third party customers.

**Segment assets and liabilities**

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

## Other segment information

*For the year ended 31 December 2022*

	Raw milk business RMB'000	Feed business RMB'000	Total reportable segments RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	370,880	17,584	388,464	10,295	398,759
Impairment losses of trade and other receivables	–	1,965	1,965	30	1,995
Impairment losses on property, plant and equipment	1,895	–	1,895	–	1,895
Loss (gain) on disposal of property, plant and equipment	5,978	–	5,978	(21,300)	(15,322)
Gain on termination of lease agreements	(3,652)	–	(3,652)	–	(3,652)
Loss on disposal of other intangible assets	165	–	165	–	165
Finance costs	<u>362,455</u>	<u>17,104</u>	<u>379,559</u>	<u>–</u>	<u>379,559</u>

*For the year ended 31 December 2021*

	Raw milk business RMB'000	Feed business RMB'000	Total reportable segments RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	289,694	2,866	292,560	3,017	295,577
Impairment losses of trade and other receivables	–	–	–	476	476
Loss (gain) on disposal of property, plant and equipment	9,680	(5)	9,675	(16)	9,659
Finance costs	<u>196,107</u>	<u>2,025</u>	<u>198,132</u>	<u>–</u>	<u>198,132</u>

## Geographical information

The Group's operations are located in Mainland China and the United States of America ("USA").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	<b>11,877,865</b>	7,057,441	<b>20,429,080</b>	17,810,823
USA	<b>417,226</b>	21,029	<b>102,716</b>	119,119
	<b><u>12,295,091</u></b>	<u>7,078,470</u>	<b><u>20,531,796</u></b>	<u>17,929,942</u>

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

## 7. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	<b>60,393</b>	46,143
Government grants related to		
– Assets	<b>78,506</b>	47,733
– Others ( <i>Note</i> )	<b>31,391</b>	16,394
	<b>109,897</b>	64,127
Others	<b>31,269</b>	13,565
	<b><u>201,559</u></b>	<u>123,835</u>

*Note:* These government grants are unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving immediate financial support to the Group's operation.



## 8. PROFIT BEFORE FINANCE COSTS AND TAX

Profit before finance costs and tax is arrived at after charging (crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of sales:		
Breeding costs to produce raw milk	6,850,047	4,470,101
Raw milk fair value adjustments included in cost of sales	2,887,548	2,378,446
Cost of feeds sold	<u>2,178,065</u>	<u>58,894</u>
	<u><b>11,915,660</b></u>	<u><b>6,907,441</b></u>
Other gains and losses, net:		
Net foreign exchange loss (gain)	377,346	(84,287)
(Gain) loss on disposal of property, plant and equipment	(15,322)	9,659
Gain on termination of lease agreements	(3,652)	–
Loss on disposal of other intangible assets	165	–
Impairment losses of property, plant and equipment	1,895	–
Fair value gain on structured deposits	(2,465)	(1,821)
Fair value loss (gain) on derivative financial instruments:		
Foreign currency forward contracts	2,172	1,999
Foreign currency option contracts	(53,321)	90,884
Capped and floored cross currency swap	<u>69,844</u>	<u>(67,537)</u>
	<u><b>18,695</b></u>	<u><b>25,346</b></u>
	<u><b>376,662</b></u>	<u><b>(51,103)</b></u>
Depreciation of property, plant and equipment	656,706	495,263
Depreciation of right-of-use assets	73,924	22,296
Amortisation of intangible assets	4,207	54
Less: capitalised in biological assets	<u>(336,078)</u>	<u>(222,036)</u>
Depreciation and amortisation charged to profit or loss	<u><b>398,759</b></u>	<u><b>295,577</b></u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Short-term lease expense	39,687	21,301
Less: capitalised in biological assets	<u>(16,577)</u>	<u>(9,070)</u>
Short-term lease expense charged to profit or loss	<u><b>23,110</b></u>	<u>12,231</u>
Employee benefits expense:		
Salaries and allowances	907,665	599,645
Retirement benefit schemes contributions	68,368	39,635
Equity-settled share award expense	44,950	22,224
Less: capitalised in biological assets	<u>(272,379)</u>	<u>(173,506)</u>
Employee benefits charged to profit or loss	<u><b>748,604</b></u>	<u>487,998</u>
Auditors' remuneration	<u><b>4,400</b></u>	<u>3,350</u>

## 9. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on:		
Bank borrowings	277,311	187,924
Long term bonds	79,117	34,994
Short term debenture	522	–
Other borrowings	11,920	11,142
Lease liabilities	<u>36,840</u>	<u>12,890</u>
Total borrowing cost	<b>405,710</b>	246,950
Fair value gain on interest rate swaps	<u>(26,151)</u>	<u>(48,818)</u>
	<u><b>379,559</b></u>	<u>198,132</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses recognised in respect of:		
Trade receivables	1,965	–
Other receivables	30	476
	<u>1,995</u>	<u>476</u>

**11. INCOME TAX EXPENSE AND DEFERRED TAXATION****Income tax expense**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax	11,295	2,279
Other jurisdiction	1,820	124
Under provision in respect of prior years:		
PRC Enterprise Income Tax	5,969	–
Deferred tax	(4,309)	(380)
	<u>14,775</u>	<u>2,023</u>

The Company is incorporated as an exempted company and as such is not subject to Cayman Islands taxation.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the statutory income tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

According to the prevailing tax rules and regulation of the EIT Law, 42 subsidiaries of the Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2022 (2021: 31 subsidiaries).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred taxation has not been provided for in the consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting to RMB4,448,225,000 as at 31 December 2022 (31 December 2021: RMB3,383,399,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before tax	<b><u>595,041</u></b>	<u>1,035,222</u>
Tax at applicable income tax rate at 25% (2021: 25%)	<b>148,760</b>	258,806
Effect of tax exemption granted to agricultural entities	<b>(377,081)</b>	(318,643)
Effect of unutilised losses incurred from agricultural business and other non-deductible expenses	<b>234,352</b>	54,782
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(234)</b>	(26)
Effect of tax losses not recognised	<b>6,817</b>	7,105
Utilisation of tax losses previously not recognised	<b>(3,808)</b>	(1)
Under provision in respect of prior years:	<b><u>5,969</u></b>	<u>–</u>
Income tax expense	<b><u>14,775</u></b>	<u>2,023</u>

## 12. DIVIDENDS

During the year, a final dividend of RMB0.026 per share in respect of the year ended 31 December 2021 (2021: RMB0.02 per share in respect of the year ended 31 December 2020) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current year amounted to RMB204,390,000 (2021: RMB142,532,000) and was appropriated from the Company's distributable share premium.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of RMB0.0142 per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

### 13. EARNINGS PER SHARE

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Profit</b>		
Profit for the year attributable to owners of the Company	<u>562,497</u>	<u>1,018,832</u>
Profit for the purpose of basic and diluted earnings per share	<u><u>562,497</u></u>	<u><u>1,018,832</u></u>
	<b>2022</b> <i>Shares</i>	2021 <i>Shares</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>7,859,032,978</b>	7,062,840,875
Effect of dilutive potential ordinary shares:		
Share awards	<u>25,269,600</u>	<u>17,603,554</u>
	<u><u>7,884,302,578</u></u>	<u><u>7,080,444,429</u></u>

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after adjusting the effect of shares repurchased by the Company and the shares held under the Company's share award scheme.

#### 14. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	1,633,165	1,044,160
Bills receivables	14,268	1,176
Less: allowance for credit losses	<u>(1,965)</u>	<u>–</u>
	<b>1,645,468</b>	1,045,336
Prepayments for feeds, materials, insurance and others	337,218	149,239
Prepayments for property, plant and equipment	29,936	54,238
Input value added tax recoverable	8,364	6,720
Short term loan receivables	–	2,003
Receivables from the original shareholders of a newly acquired subsidiary	30,000	–
Short term entrusted loans to associates (Note)	68,620	–
Receivables from selling biological assets	61,915	–
Others	<u>32,322</u>	<u>18,573</u>
	<b><u>2,213,843</u></b>	<b><u>1,276,109</u></b>
Analysed as:		
Current	2,183,907	1,221,871
Non-current	<u>29,936</u>	<u>54,238</u>
	<b><u>2,213,843</u></b>	<b><u>1,276,109</u></b>

*Note:* As at 31 December 2022, the Group granted entrusted loans to certain associates with the annual interest rate of 5% which will mature in 1 year.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB631,285,000.

As at 31 December 2022, the Group's trade receivables with carrying amount of RMB19,697,000 (2021: RMB7,250,000) were pledged to secure certain bank and other borrowings of the Group.

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk and feeds. The Group allows a credit period of 30 days to its customers of raw milk and no more than 90 days to its customers of feeds.

The following is an aged analysis of trade receivables and bills receivables, net of allowance for credit losses, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates at the end of the reporting period:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Trade receivables		
– within 30 days	<b>1,295,769</b>	955,222
– beyond 30 days but within 90 days	<b>244,447</b>	49,977
– beyond 90 days but within 1 year ( <i>Note i</i> )	<b>90,984</b>	–
– beyond 1 year but within 2 years ( <i>Note ii</i> )	–	38,961
Bills receivables		
– within 30 days	<b>7,094</b>	135
– beyond 30 days but within 90 days	<b>7,174</b>	–
– beyond 90 days but within 120 days	–	500
– beyond 120 days but within 360 days	–	541
	<b><u>1,645,468</u></b>	<b><u>1,045,336</u></b>

*Notes:*

- i As at 31 December 2022, trade receivable from certain subsidiaries of seller (“**Zhongyuan Seller**”) of Zhongyuan Muye Company Limited amounted to RMB104,380,000, of which RMB40,650,000 was beyond 90 days. The above balance is secured by consideration payable to Zhongyuan Seller of RMB188,713,000 according to the supplementary agreement with Zhongyuan Seller.
- ii In 2022, this balance was offset by consideration payable to Zhongyuan Seller according to a supplementary agreement.

## 15. TRADE AND OTHER PAYABLES

The credit period granted by suppliers for trade purchases is generally within 120 days. The following is an aged analysis of trade and bills payables based on invoice dates at the end of the reporting period:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
– within 60 days	1,529,259	1,177,400
– beyond 60 days but within 120 days	547,128	337,617
– beyond 120 days but within 360 days	50,843	71,546
– beyond 360 days but within 720 days	21,748	25,359
Bills payables ( <i>Note</i> )	<u>67,921</u>	<u>28,632</u>
	<b>2,216,899</b>	1,640,554
Payable for acquisition of property, plant and equipment	277,694	376,012
Accrued staff costs	314,268	241,636
Receipts in advance from disposal of dairy cows	15,017	11,375
Guarantee deposit	123,742	131,571
Payables for acquisition of subsidiaries	263,536	643,197
Payables for investment in associates	3,588	–
Payables for acquisition of non-controlling interests	20,894	38,192
Dividends payable	5,341	9,778
Others	<u>47,722</u>	<u>75,846</u>
	<b><u>3,288,701</u></b>	<b><u>3,168,161</u></b>
Analysed as:		
Current	3,288,701	3,144,194
Non-current	<u>–</u>	<u>23,967</u>
	<b><u>3,288,701</u></b>	<b><u>3,168,161</u></b>

*Note:* Bills payables are with maturities within twelve months from the respective issuance dates.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the audited consolidated results of the Group for the year.

### INDUSTRY OVERVIEW

Dairy industry is an important part of modern agriculture and food industry, an indispensable industry for a healthy China and our strong nation, a representative industry of food safety, a landmark industry of agricultural modernization and a strategic industry for the coordinated development of primary, secondary and tertiary industries. In 2022, China's milk production reached 39.32 million tons, representing a year-on-year (“yoy”) increase of 6.8%. In the first three quarters, the pass rate of supervision and random inspection of dairy products in China reached 99.83%, which is higher than the overall level of the food industry. In 2022, facing the pressure of rising commodity prices, labor costs and transportation costs, China's dairy industry overcame many difficulties and challenges and became one of the few industries that bucked the trend under the pandemic.

To promote the high-quality development of the dairy industry, it is necessary to accelerate the adjustment of the industry structure and the transformation and upgrading of enterprises. According to the 14th Five-Year Plan for Promoting Agricultural and Rural Modernization issued by the State Council of China in February 2022, China will implement the Five-Year Action Plan for cattle and sheep farming with the aim to vigorously developing grass-fed animal husbandry, and shall also strengthen the construction of milk source bases and optimize the structure of dairy products. The Ministry of Agriculture and Rural Affairs issued the Action Plan for Improving the Competitiveness of Dairy Industry for the 14th Five-Year Plan Period, which provided that by 2025, the national milk production would reach approximately 41 million tons, and the proportion of large-scale breeding (with more than 100 heads) would reach approximately 75%.

Environmental protection has also become a topic of concern in the dairy industry in recent years, and carbon reduction is the top priority. In 2021, the “dual-carbon” goal was officially included in the government work report of the State Council of PRC, that is to achieve carbon peaking by 2030 and to achieve carbon neutrality by 2060. In light of such trends and requirements, in 2022, dairy companies took measures in various aspects such as carbon reduction in upstream farming, new factories, product innovation, recycling, and have achieved certain breakthroughs. This was not only in line with the “promoting green development of agriculture” policy proposed in the Central Document No.1 (the Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting the Key Tasks of Rural Revitalization in 2023) issued in February 2023, but also a good start for the dairy industry's road to environmental protection and carbon reduction.

## BUSINESS REVIEW

The Group is mainly engaged in the dairy farming business (producing and selling quality raw milk to dairy operators) and the processing and sales of feeds business. After the Group acquired Inner Mongolia Fuyuan International Industrial (Group) Co. Ltd. (“**Fuyuan International**”) in November 2021, the Group successfully acquired Inner Mongolia Aiyangniu Technology Co., Ltd. (“**Aiyangniu Technology**”) in June 2022. These two companies and their businesses had also been incorporated into the Group accordingly. Since then, the Group’s business operations have extended to the sales of feeds and the operation of livestock internet platform. In addition, during the year, the Group successfully established a company with Inner Mongolia Rixin Investment (Group) Co., Ltd. (“**Rixin Investment**”) to invest in and build farms in Inner Mongolia, so as to revitalize the local dairy industry and support the development of local economy.

While developing new businesses, the Group will continue to provide customer base with high-quality fresh raw milk and provide high-end, high-quality and reliable milk sources to dairy manufacturers, thereby helping such manufacturers to give back to consumers by producing healthy and diversified products. Currently, the Group’s industrial chain basically runs through the upstream and downstream farming business, and the livestock internet platform connects the feeds sector both vertically and horizontally. The interaction between existing and new business segments have been leading synergies to the Group.

## OPERATIONAL PERFORMANCE

Thanks to the concerted efforts of the management and all employees of the Company and the continued implementation of the “Five-Year Lead Plan”, the Group has achieved a significant increase in major operating indicators. As at 31 December 2022, the Group raised dairy cows of over 405 thousand heads with an increase of 51 thousand heads yoy, and the increase in herd size is in line with the Group’s overall herd expansion strategies. The total milk production for the year hit 2.36 million tons (2021: 1.61 million tons), representing a yoy growth of 46.6%. The annual milk yield (“**AMY**”) per milkable cow amounted to 12.2 tons (2021: 11.3 tons), representing a yoy growth of 8.0%, which exceeds expectations and is expected to continue to grow.

During the year, the Group’s sales revenue recorded RMB12,295.1 million (2021: RMB7,078.5 million), representing a yoy increase of 73.7%. Among which, the sales revenue of raw milk amounted to RMB9,945.1 million (2021: RMB7,005.0 million), representing a yoy increase of 42.0%. The Group entered into the business of sales of feeds after completing the acquisition of Fuyuan International in November 2021, and it recorded a sales revenue of RMB2,350.0 million (2021: RMB73.5 million) in the feed sales business during the year.

## **DAIRY FARMS**

Leveraging on the world’s first model of “integration of forage planting, cow breeding and milk processing”, Modern Dairy is currently a leading dairy farming operator and raw milk producer in the PRC in terms of herd size and volume of annual production. With farms spreading across the nation, we are equipped with unique geographical advantages. Most of our dairy farms are located at regions with fine climate and ample feed supply, and are adjacent to processing plants of dairy products to ensure that procedures from the milking to processing could be completed in the shortest time and the nutritional value and freshness could be maintained at the highest level.

The Group continues to renovate the cowshed equipment and improve the ventilation system; adjust the feed formula and increase the frequency of feeding; enhance the dryness level of the bedding materials and improve the bedding comfortability by applying drying technologies; and increase the frequency of sink cleaning to ensure healthy drinking water. By doing so, the Group continuously improves and enhances comfortability for milkable cows so as to raise milk production.

Each farm is equipped with modern cowshed equipment, logistics systems, environmental protection facilities, 24–7 monitoring systems, and with veterinarians stationed in farms to make sure that each cow inhabits in a comfortable environment and produces high-quality and healthy raw milk.

## Herd Scale

	<b>2022</b>	2021
	<b><i>Heads</i></b>	<i>Heads</i>
Dairy cows		
Milkable cows	<b>199,793</b>	184,304
Heifers and calves	<b><u>205,565</u></b>	<u>169,489</u>
Total	<b><u>405,358</u></b>	<u>353,793</u>

As at 31 December 2022, the Group invested and operated a total of 41 dairy farming companies with 405,358 dairy cows in mainland China (2021: 353,793 heads), representing a yoy increase of 14.6%. The Group is a leading dairy farming operator and raw milk producer in terms of herd size in the PRC. The proportion of milkable cows to the total number of dairy cows decreased by 2.8 percentage points to 49.3% in 2022 (2021: 52.1%) yoy, mainly due to the significant increase in the number of the Group's heifers and calves in the stage of expansion, resulting in the decrease of the proportion of milkable cows. The Group will continue to optimize and adjust the herd structure so as to achieve sustainable, healthy and stable development.

## Milk Yield

During the year, the Group recorded AMY of 12.2 tons per milkable cow (2021: 11.3 tons), representing a yoy increase of 8.0%. The total annual milk production of the Group grew 46.6% yoy to 2.36 million tons (2021: 1.61 million tons). The increase in milk yield was attributable to effective herd management, genetic improvement over generations, and an increase in the number of cows reaching peak stage of lactation. Milk yield is affected by a number of factors, including the frequency of lactation, breed, comfort level, health, genetics and feed mix. The Company has been conducting research on each factor, inviting foreign and domestic cow experts to regularly station and give guidance at the farms, and through interactive sharing amongst industry experts and staff training, to improve milk yield and cow health.

## FINANCIAL OVERVIEW

### Sales Revenue

#### *Business Analysis*

The following table sets forth the details of the consolidated revenue for the years ended 31 December:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Raw milk business	<b>9,945,090</b>	7,005,012
Feeds sales business	<b>2,350,001</b>	73,458
Consolidated revenue	<b><u>12,295,091</u></b>	<u>7,078,470</u>

During the year, the Group's sales revenue increased by 73.7% yoy to RMB12,295.1 million (2021: RMB7,078.5 million). The increase was mainly due to the significant increase in sales volume of raw milk, and the significant increase in the sales revenue of feeds sales as the Group is developing its feeds sales business following the acquisition of Fuyuan International.

#### Raw Milk Business

The following table sets forth the details of sales revenue, sales volume and average selling price ("ASP") of raw milk for the years indicated:

	<b>2022</b>			2021		
	Sales revenue	Sales volume	ASP	Sales revenue	Sales volume	ASP
	<b>RMB'000</b>	<b>tons</b>	<b>RMB/ton</b>	RMB'000	tons	RMB/ton
Raw milk	<b><u>9,945,090</u></b>	<b><u>2,327,351</u></b>	<b><u>4,273</u></b>	<u>7,005,012</u>	<u>1,586,857</u>	<u>4,414</u>

The Group's total revenue of the sales of raw milk increased by 42.0% yoy to RMB9,945.1 million during the year (2021: RMB7,005.0 million). The increase was mainly due to the significant increase in sales volume of raw milk.

ASP of raw milk has a slight decrease by 3.2% yoy to RMB4.27/kg during the year (2021: RMB4.41/kg). This was mainly caused by the fact that most of the acquired farms were located in the northern regions where milk prices were lower than those in the southern regions, which leads to the change in the yoy regional sales volume shares; and the slight decrease in milk prices due to the weak consumption this year caused by the epidemic.

Total sales volume of raw milk increased by 46.5% yoy to approximately 2.33 million tons during the year (2021: 1.59 million tons), mainly due to the rise in AMY per milkable cow and the contribution of sales volume of raw milk from newly acquired farms.

### **Feeds Sales Business**

During the year, the feeds sales business newly acquired and developed recorded a sales revenue of RMB2,350.0 million (December 2021: RMB73.5 million), a gross profit of RMB171.9 million (December 2021: RMB14.6 million), maintaining good profitability, and the feeds sales business will continue to contribute profits to the Group.

### **COST OF SALES**

The Group's cost of sales primarily consisted of cost of raw milk and feeds sales. The following table sets forth the breakdown of the cost of sales of our products for the years indicated:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw milk business	<b>6,850,047</b>	4,470,101
Feeds sales business	<b><u>2,178,065</u></b>	<u>58,894</u>
Total cost of sales	<b><u><u>9,028,112</u></u></b>	<u><u>4,528,995</u></u>

## Raw Milk Business

The following table sets forth the breakdown of the cost of sales of the raw milk business for the years indicated:

	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Raw Milk Business</b>				
Direct materials	<b>5,582,216</b>	<b>80.6%</b>	3,453,182	77.2%
Labor cost	<b>450,017</b>	<b>6.5%</b>	304,030	6.8%
Utilities	<b>175,814</b>	<b>2.5%</b>	123,525	2.8%
Depreciation of property, plant and equipment	<b>280,129</b>	<b>4.0%</b>	231,078	5.2%
Other costs of farms	<b>435,488</b>	<b>6.4%</b>	358,286	8.0%
Sub-total	<b><u>6,923,664</u></b>	<b><u>100.0%</u></b>	<u>4,470,101</u>	<u>100.0%</u>
Less: Inter-segment offset	<b>(73,617)</b>		–	
Consolidated total	<b><u>6,850,047</u></b>		<u>4,470,101</u>	

During the year, direct materials (mainly forage) cost of the raw milk business amounted to RMB5,582.2 million (2021: RMB3,453.2 million), representing a yoy growth of 61.7%, mainly due to the increase of feed prices and the increase in the number of lactating cows.

Since the beginning of 2022, the international situation has been complicated and grim, and the world economic growth has been slowing down. The feed prices have significantly increased, globally and domestically, as the frequent and scattered domestic outbreaks of the pandemic have caused a serious impact on the stability of the economy. The Group implemented various measures to enhance and streamline the procurement process and adopt a consolidated procurement platform so as to reduce purchasing costs. The Company has lowered operating costs through improving the formula, adjusting the feed mix, enhancing the health of cows, raising AMY per milkable cow, broadening sources of income and reducing expenditure, which effectively alleviated the impact arising from the increase in the prices of certain feeds. During the year, the Group successfully kept unit cost of sales of raw milk before inter-segment offset at RMB2.97/kg (2021: RMB2.82/kg), representing a yoy increase of RMB0.15/kg. Out of which, the feed cost per kg of raw milk amounted to RMB2.33/kg (2021: RMB2.11/kg), representing a yoy increase of RMB0.22/kg which was mainly due to the rise in feed prices.

## Gross Profit and Profitability

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

	2022		2021	
	<b>Gross profit</b>	<b>Gross profit</b>	<b>Gross profit</b>	<b>Gross profit</b>
	<b>RMB'000</b>	<b>margin</b>	<b>RMB'000</b>	<b>margin</b>
Raw Milk business	<b>3,095,043</b>	<b>31.1%</b>	2,534,911	36.2%
Feeds sales business	<u><b>171,936</b></u>	<u><b>7.3%</b></u>	<u>14,564</u>	<u>19.8%</u>
Total	<u><b>3,266,979</b></u>	<u><b>26.6%</b></u>	<u>2,549,475</u>	<u>36.0%</u>

The Company's financial performance is highly correlated with market prices and costs of raw milk and also affected by the milk yield of each milkable cow. In general, when milk prices increase, the Company's profitability will increase correspondingly under normal operation condition. When milk yield improves, the unit cost of sales of raw milk will correspondingly decrease relatively.

During the year, gross profit of the Group's raw milk business amounted to RMB3,095.0 million (2021: RMB2,534.9 million), representing an increase of 22.1% yoy, which was mainly due to the increase in the sales volume of raw milk. Gross profit margin of the Group's raw milk business stood at 31.1% (2021: 36.2%), representing a drop of 5.1 ppt yoy, mainly due to the rise in feed prices and the drop in the ASP of raw milk. The gross profit of the Group's feeds sales business was RMB171.9 million (December 2021: RMB14.6 million), showing relatively good profitability.

## Losses Arising from Changes in Fair Value Less Costs to Sell of Dairy Cows

As at 31 December 2022, the biological assets of the Group were valued at RMB10,631.2 million (31 December 2021: RMB9,404.9 million) by an independent qualified professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, representing an increase of 13.0% yoy, mainly due to the increase of herd size.

Losses arising from changes in the fair value of dairy cows less costs to sell dairy cows were RMB988.2 million as at 31 December 2022 (31 December 2021: RMB956.0 million), representing an increase of 3.4% yoy.



## **Gains Arising on Initial Recognition of Raw Milk at Fair Value Less Costs to Sell at the Point of Harvest**

During the year, the gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest amounted to RMB2,887.5 million (2021: RMB2,378.4 million), representing an increase of 21.4% yoy, mainly due to the increase in sales volume of raw milk.

IFRS requires that raw milk harvested was initially measured at fair value less costs to sell, and the difference between the fair value less costs to sell and the actual costs incurred was booked to profit or loss account.

## **Other Income**

During the year, other income amounted to RMB201.6 million (2021: RMB123.8 million) which mainly consisted of government grants and interest income, of which interest income accounted for RMB60.4 million (2021: RMB46.1 million), while the government grants amounted to RMB109.9 million (2021: RMB64.1 million). Government grants mainly consisted of subsidies for agricultural projects and subsidies for the operations of the Group.

## **Operating Expenses**

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Selling and distribution costs	<b>369,887</b>	183,732
Administrative expenses	<b>730,203</b>	379,065
Total operating expenses	<b><u>1,100,090</u></b>	<u>562,797</u>

The total operating expenses was RMB1,100.1 million during the year (2021: RMB562.8 million), representing an increase of RMB537.3 million or 95.5% yoy. The analysis is as follows:

- ***Selling and distribution costs***

The analysis of selling and distribution costs is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Transportation costs and others	<b>352,349</b>	179,090
Taxes and surcharges	<b>17,538</b>	4,642
Total selling and distribution costs	<b><u>369,887</u></b>	<u>183,732</u>

Selling and distribution costs mainly consisted of transportation costs for sales of raw milk, transportation costs and other expenses (mainly salaries and other daily expenses of the sales department) for sales of feeds, as well as taxes and surcharges related expenses. During the year, selling and distribution costs stood as RMB369.9 million (2021: RMB183.7 million), representing an increase of RMB186.2 million. Among which, the transportation costs for sales of raw milk amounted to RMB207.5 million (2021: RMB157.5 million), with an increase of RMB50.0 million or 31.7% yoy, mainly due to the comprehensive impact of the Group's increase in sales volume of raw milk and the decrease in unit transportation costs; and the transportation and other expenses for sales of feed amounted to RMB144.8 million (2021: RMB21.6 million), mainly due to the significant growth in sales of feeds this year resulting in an increase in the selling expenses.

- ***Administrative expenses***

Administrative expenses mainly included remuneration of management staff (including equity-based share award expenses) and depreciation charges of office building, staff quarters and facilities, and other daily administrative expenses. During the year, administrative expenses amounted to RMB730.2 million (2021: RMB379.1 million), representing an increase of RMB351.1 million or 92.6% yoy, which was mainly due to: 1) the impact of the different periods in which the administrative expenses were accounted for in the Group's consolidated financial statements in the corresponding years arising from the companies acquired by the Group; 2) with the expansion of the Group's business scale, the number of management personnel has been increased to match the Group's strategic development needs, and corresponding administrative expenses having increased; and 3) during the year, the Group comprehensively upgraded and optimized the performance incentive and employee welfare system, continuously motivated employees to create good performance for the Group, and corresponding management remuneration has increased. During the year, the Group has achieved a significant increase in major operating indicators, which was far beyond expectations and had brought satisfactory incentive results. The Group is committed to establishing a sound talent development and incentive system to safeguard the realization of the Group's strategic objectives.

## IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment losses recognised in respect of:		
Trade receivables	1,965	–
Other receivables	<u>30</u>	<u>476</u>
Total	<u><u>1,995</u></u>	<u><u>476</u></u>

### Other Gains and Losses, Net

During the year, net losses arising from other gains and losses amounted to RMB376.7 million (2021: net gains of RMB51.1 million) mainly consisting of net amount of foreign exchange (gains)/losses, fair value (gain)/loss on derivative financial instruments, impairment provision for fixed assets. The breakdown of other gains and losses is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other gains and losses, net:</b>		
Net foreign exchange loss/(gain)	377,346	(84,287)
(Gains)/loss on disposal of property, plant and equipment	(15,322)	9,659
Gains on termination of lease agreements	(3,652)	–
Loss on disposal of other intangible assets	165	–
Impairment losses of property, plant and equipment	1,895	–
Fair value gain on structured deposits	(2,465)	(1,821)
Fair value loss/(gain) on derivative financial instruments		
Foreign currency forward contracts	2,172	1,999
Foreign currency option contracts	(53,321)	90,884
Capped and floored cross currency swap	<u>69,844</u>	<u>(67,537)</u>
	<u>18,695</u>	<u>25,346</u>
Total	<u><u>376,662</u></u>	<u><u>(51,103)</u></u>

## **Finance Costs**

During the year, finance costs amounted to RMB379.6 million (2021: RMB198.1 million), representing an increase of RMB181.5 million or 91.6% yoy, mainly due to the combined effects of the different consolidation periods of the companies acquired by the Group in the corresponding years and the increase in financing scale.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The Group's cash EBITDA amounted to RMB2,740.2 million during the year (2021: RMB2,434.3 million), representing a yoy growth of 12.6%. The cash EBITDA margin was 22.3% (2021: 34.4%), with a yoy decrease of 12.1 ppt.

Taking into account the above factors, profit attributable to owners of the Company amounted to RMB562.5 million during the year (2021: RMB1,018.8 million), with a decrease by 44.8% yoy.

During the year, basic earnings per Share of the Company (the “**Share**”) was RMB7.16 cents (2021: RMB14.43 cents per Share). Diluted earnings per Share was RMB7.13 cents (2021: RMB14.39 cents per Share).

## **LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO**

As at 31 December 2022, the net gearing ratio, which was calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity, was 85.2% (31 December 2021: 56.1%) with a yoy increase of 29.1 ppt.

As at 31 December 2022, the Group's available and unutilized credit facilities were approximately RMB5,759.9 million (31 December 2021: RMB5,618.0 million). Having considered (i) cash flow forecast from operating activities of continuing operation; (ii) existing financial resources and gearing level of the Group, the Directors believe that the Group's financial resources are sufficient to meet its debt repayment, day-to-day operations, contracted capital expenditures as at 31 December 2022.

## **GROUP STRUCTURE**

Save for disclosed in this announcement, there was no material change in the structure of the Group during the year.

## **CAPITAL STRUCTURE**

As at 31 December 2022, the total number of ordinary shares in issue of the Company was 7,915,662,048 shares (31 December 2021: 7,915,662,048 shares).

As at 31 December 2022, the net assets attributable to owners of the Company amounted to approximately RMB11,264.1 million (31 December 2021: approximately RMB10,864.9 million), the net borrowings of the Group (total interest-bearing borrowings less cash and deposit assets) amounted to approximately RMB9,921.7 million (31 December 2021: approximately RMB6,236.4 million).

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB261.8 million (31 December 2021: RMB244.5 million) with a increase of RMB17.3 million yoy, mainly due to the increase of newly built dairy farms.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

### **Acquisition of Aiyangniu Technology**

The acquisition of 75% equity interest in Aiyangniu Technology was approved at the extraordinary general meeting of the Company held on 8 June 2022. Aiyangniu Technology is principally engaged in the operation of animal husbandry e-commerce platform, animal husbandry service cloud platform, animal husbandry service business, sale of feedstuffs, additives and veterinary medicine, and trade consulting of agricultural and livestock products in the PRC. The Group believes that the acquisition of Aiyangniu Technology can further leverage the industrial chain synergy advantages of the Group as a leading dairy enterprise, and enable the provision of services such as digital technology, supply chain finance, breeding technology and other services through the ecological sharing platform to upstream and downstream customers, enhancing the Group's profitability.

The acquisition of 75% equity interest in Aiyangniu Technology was completed on 28 June 2022. For details of the acquisition, please refer to the announcement of the Company dated 15 March 2022 and the circular dated 15 May 2022.

## **Entry into Entity Incorporation Agreement with Rixin Investment**

On 22 June 2022, Modern Farming (Group) Co., Ltd. (“**Modern Farming**”) and Rixin Investment entered into an agreement to establish a company for investment in the new dairy farms in Inner Mongolia of the PRC. The shareholding of the company is held as to 51% by Modern Farming and 49% by Rixin Investment. The registered capital of the company is RMB1 billion and each of Modern Farming and Rixin Investment commits to contribute RMB510,000,000 and RMB490,000,000, respectively, in the capital of the company.

With the support of the PRC government and favourable national policies, setting up dairy farms by investing in such kind of company could reduce short-term capital expenditure and improve the cash flow of the Company, and the contribution of extra herd size thereafter will further strengthen the Group’s position in the dairy farming industry in the PRC and enhance the Group’s competitiveness in terms of economies of scale, product quality and pricing of fresh raw milk. Since it is agreed that Mengniu Group will purchase the qualified raw milk from the company’s invested new dairy farms, the proceeds from the sales of raw milk will have a positive contribution to the Group’s revenue and profitability.

For details of entry into the agreement, please refer to the announcement of the Company dated 22 June 2022.

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

## **FINANCIAL MANAGEMENT POLICIES**

The Group mainly operates its business in mainland China, and the foreign exchange risks related to its operations are not significant. Even so, the Group still strictly monitors and controls potential financial risks. The Group’s major financial instruments include equity instruments at FVTOCI, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, other borrowings, long term bonds, short term debenture and derivative financial instruments. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against USD. We manage the foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and may enter into foreign currency option contracts or capped and floored cross currency swap, when necessary, to manage its foreign exchange exposure.

We manage the interest rate risk if any by performing regular reviews of the Group’s net interest rate exposures and may enter into interest rate swap contracts, when necessary, to manage its interest rate exposure.

For credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action if necessary is taken to recover overdue debts.

The management believes the risks associated with the financial instruments were properly managed and didn't pose material impact to the Group's operation.

## **HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES**

As at 31 December 2022, the Group had approximately 8,455 employees (31 December 2021: 6,772 employees) in mainland China and Hong Kong, mainly due to the continuous expansion of the Group's business scale, resulting in the corresponding increase in the number of employees. Total staff costs of the Group during the year (excluding equity-settled share award expense) were approximately RMB976.0 million (2021: RMB639.3 million).

Employees in Hong Kong are provided with retirement benefits, under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in Mainland China are provided with pension insurance, medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing fund contributions in compliance with the requirements of the laws of China.

In 2022, based on the needs of business development, the Group formulated a human resources strategy consisted of five key initiatives, i.e. reshaping cultural strength, upgrading organizational management, accelerating echelon construction, deepening talent recruitment and innovating performance incentives. Its industry-first "four-wheel drivers" leadership model and "diamond" professional power model, through attracting, retaining and cultivating the Company's elite professionals, aimed to create capable generalists, build a first-class talent supply chain system and realize the talent-driven strategy. Moreover, the Group strictly abided by various relevant laws and regulations and offered standardized salary, performance evaluation policies and diversified welfare policies to attract and retain employees, striving to provide all employees with the remuneration and benefits they deserve and being committed to achieving the Group's strategic goals together.

## **SOCIAL RESPONSIBILITY**

Upholding the principle of "safety and quality come first", the Group is proactive when it comes to fulfilling its social responsibility. The Group proactively develops and implements modern and scientific breeding and feeding know-how. The Group devotes great effort to strike a balance between business growth and social responsibility, so as to convey the Group's care and blessing to all stakeholders.

The Group is committed to improving the quality of its products by providing consumers with a commitment to provide healthy, safe, nutritious and high-quality dairy products. Meanwhile, it adheres to the production principle of energy conservation and environmental protection.

The Group actively promotes the economic development of the surrounding areas where the farms are located and increases the income of local residents. The Group actively implements the precise poverty alleviation policy, responds to the call of poverty alleviation, and is devoted to poverty alleviation within the industry and society. Firstly, the contracts of silage planting were signed with local farmers in the farming areas to reduce the impact of natural disasters on crop harvest and simultaneously solve the local employment problem. The Group's farms provide multiple jobs throughout the country, effectively alleviating the pressure of surplus rural labor force and increasing the income of local farmers. The Group also undertakes social responsibility and promotes local economic development through measures such as making direct donation of materials, money and paying visits to nursing homes.

The road of the Group's social responsibility passes through from dairy cow breeding, accountable quality, green development to employee development and social care. The Group has always adhered to the concept of "people-oriented", and taken the responsibility of promoting sustainable development of the dairy industry and giving back to the nature and serving the society.

## **PROSPECTS**

2023 is a crucial year for the Group to steadily advance the "Five-Year Lead Plan". Based on the vision of "deploy the whole industry chain, innovate with digital intelligence, and be a global dairy farming leader", the Group will promote continuous growth in production and strengthen cash flow management, and will also focus on the five major strategies (i.e., main channel, new business, cash flow, strong performance and talent pool) to promote the continuous improvement of operating performance.

We expect that the dairy herd of the Group could reach more than 500,000 heads by 2025, with an annual output of 3.6 million tons of raw milk. Modern Dairy will rely on the dairy farming business to create a market-oriented feeds module, increase its share in the feeds market, strengthen and expand the Feed Center of Liangyuan Science and Technology and Aiyangniu Technology platform and accelerate the development of the beef cattle industry, and it will also further improve the layout of the entire industrial chain and improve the Company's comprehensive business capabilities, so as to develop itself into an integrated dairy farming group operating through the entire industry chain.



2023 is the first year to implement the spirits of the 20th National Congress of the Communist Party of China, and it is also the year when China officially grows its way out of the COVID-19 pandemic. Social and economic activities have basically returned to normal, and the people are gearing up for a new journey. Driven by demand for milk sources, policy guidance and technology, the Group will have a bright future for development. In the future, Modern Dairy will continue to actively undertake the responsibility of revitalizing the national dairy industry through leading the industry towards a sustainable development model of digital intelligence innovations and low-carbon environmental protection, and will also keep improving the ecology of the whole industry chain to build itself into one of the world's leading and socially responsible dairy farming groups.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has, throughout the year and up to the date of this announcement, complied with the code provisions set out in the CG Code except for the deviation from code provisions C.1.6.

Code provision C.1.6 of the CG Code provides that non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. One non-executive Director was not able to attend the annual general meeting and extraordinary general meeting of the Company held on 8 June 2022 due to other business engagements.

Save as disclosed above, the Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the code of conduct regarding securities transactions by Directors adopted by the Company during the year.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

As a responsible business participant, the Group strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure our products meet the required standards and ethics in respect of environment protection. A discussion on the Group's environmental policies and performance is contained in the Environmental, Social and Governance Report prepared in accordance with the ESG Reporting Guide of Stock Exchange will be released separately in April 2023.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year, except that the trustee of the share award scheme of the Company that adopted on 26 March 2018, pursuant to the rules of which, purchased on the open market a total of 9,200,000 (2021: 36,526,000 shares) ordinary shares of the Company as restricted shares at a consideration of approximately HK\$10,962,000 (equivalent to RMB9,073,000) (2021: HK\$54,689,000 (equivalent to RMB45,468,000)).

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.0142 (2021: RMB0.026) per ordinary share for the year ended 31 December 2022. Upon shareholders' approval at the forthcoming annual general meeting of the Company, which will be held on Tuesday, 6 June 2023 (the "**2023 AGM**"), the proposed final dividend will be paid on or about Friday, 30 June 2023 to shareholders whose names appear on the register of members of the Company on Wednesday, 14 June 2023. Currently, the Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

No interim dividend was paid during the year (2021: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both days inclusive, for the purpose of ascertaining shareholders' eligibility to attend and vote at 2023 AGM. In order to be eligible to attend and vote at 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 31 May 2023.

The register of members of the Company will be closed from Monday, 12 June 2023 to Wednesday, 14 June 2023, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at the same address as set out above not later than 4:30 p.m. on Friday, 9 June 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed elsewhere in this announcement, no other material events occurred during the year and up to the date of this announcement.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

The Director named in the paragraphs below have interests in businesses, which are considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group during the year.

As mentioned above, each of Mr. Lu Minfang (resigned as non-executive Director and Chairman of the Board subsequently on 1 February 2023), Mr. Zhao Jiejun and Mr. Zhang Ping held offices in Mengniu during the year. Mengniu is a substantial shareholder of the Company and is engaged in the dairy industry. In addition, Mr. Lu Minfang, Mr. Zhao Jiejun and Mr. Zhang Ping are the directors of China Shengmu Organic Milk Limited (stock code: 1432.HK) which operates dairy farming business. Mr. Li Shengli was also one of the independent non-executive directors of China Zhongdi Dairy Holdings Company Limited (delisted, prior stock code: 1492.HK), which operates dairy farming business. Mr. Li Shengli is currently also an independent non-executive director of Australia Asia Group Limited (stock code: 2425.HK). It is also engaged in the dairy industry.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **AUDIT COMMITTEE**

The Audit Committee comprises two independent non-executive Directors, namely Mr. LEE Kong Wai, Conway and Mr. CHOW Ming Sang and one non-executive Director, Mr. ZHANG Ping. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company, and discussed the risk management and internal control systems and financial reporting matters including the review of the audited results for the year ended 31 December 2022.

## **PUBLICATION OF THE ANNUAL REPORT**

The annual report of the Group for the year ended 31 December 2022 will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.moderndairyir.com](http://www.moderndairyir.com)) in due course.

## **BOARD OF DIRECTORS**

As of the date of this announcement, the executive Directors are Mr. SUN Yugang and Mr. ZHU Xiaohui, the non-executive Directors are Mr. ZHAO Jiejun (Chairman), Mr. ZHANG Ping, Ms. GAN Lu and Mr. CHEN Yiyi, and the independent non-executive Directors are Mr. LI Shengli, Mr. LEE Kong Wai, Conway and Mr. CHOW Ming Sang.

## **APPRECIATION**

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support, and to all staff for their industrious work and commitment.

On behalf of the Board  
**China Modern Dairy Holdings Ltd.**  
**Mr. Zhao Jiejun**  
*Chairman*

Hong Kong, 28 March 2023