澳优
Ausnutria

AUSNUTRIA DAIRY CORPORATION LTD
澳優乳業股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	2021	2020	*Change*
	RMB'M	*RMB'M*	*%*
Revenue	**8,873.3**	7,985.8	**11.1**
Gross profit	**4,470.7**	3,982.0	**12.3**
Gross profit margin *(%)*	**50.4**	49.9	**0.5 pps**
EBITDA	**1,501.4**	1,463.2	**2.6**
Profit attributable to equity holders of the Company	**1,040.3**	1,004.1	**3.6**
Final dividend per share *(HK$)*	**0.28**	0.27	**3.7**

For the year ended 31 December 2021 (the "**Year 2021**"), Ausnutria Dairy Corporation Ltd ("**Ausnutria**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") recorded the followings:

- Revenue increased by RMB887.5 million or 11.1%, among which revenue derived from own-branded business increased by 12.1% to RMB7,762.3 million.

- Gross profit increased by RMB488.7 million or 12.3%.

- EBITDA increased by RMB38.2 million or 2.6%.

- Profit attributable to equity holders of the Company increased by RMB36.2 million or 3.6%. Excluding the adverse impact attributable to various non-recurring losses and the additional inventory provision of RMB81.1 million (net of tax) as set out in the Financial Review section, profit attributable to equity holders of the Company would have increased by RMB179.3 million or 16.6% to RMB1,262.6 million.

In addition, the board (the "**Board**") of directors (the "**Directors**") of the Company has recommended the payment of a final dividend of HK$0.28 (2020: HK$0.27) per share of the Company (the "**Share**") for the Year 2021.

The Board is pleased to announce the audited consolidated financial results of the Group for the Year 2021 together with the comparative figures for the year ended 31 December 2020 (the "**Year 2020**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
REVENUE	*5*	**8,873,274**	7,985,816
Cost of sales		**(4,402,544)**	(4,003,859)
Gross profit		**4,470,730**	3,981,957
Other income and gains	*5*	**78,118**	90,105
Selling and distribution expenses		**(2,415,489)**	(2,066,765)
Administrative expenses		**(706,902)**	(692,996)
Other expenses		**(135,287)**	(88,707)
Finance costs	*7*	**(18,754)**	(28,850)
Share of profits and losses of associates		**(38,765)**	26,102
PROFIT BEFORE TAX	*6*	**1,233,651**	1,220,846
Income tax expense	*8*	**(231,426)**	(220,812)
PROFIT FOR THE YEAR		**1,002,225**	1,000,034
Attributable to:			
Owners of the parent		**1,040,262**	1,004,106
Non-controlling interests		**(38,037)**	(4,072)
		1,002,225	1,000,034
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the year *(RMB cents)*		**60.57**	60.93
Diluted			
– For profit for the year *(RMB cents)*		**60.38**	60.57

	Notes	**2021**	2020
		RMB'000	*RMB'000*
PROFIT FOR THE YEAR		**1,002,225**	1,000,034
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(302,365)**	64,562
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(302,365)**	64,562
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement income/(loss) on the defined benefit plan, net of tax		**1,020**	(2,195)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**1,020**	(2,195)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(301,345)**	62,367
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**700,880**	1,062,401
Attributable to:			
Owners of the parent		**737,074**	1,066,201
Non-controlling interests		**(36,194)**	(3,800)
		700,880	1,062,401

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,836,332**	1,840,357
Investment property		**115,821**	–
Right-of-use assets		**283,812**	359,731
Goodwill		**258,688**	297,541
Other intangible assets		**420,979**	411,642
Investments in associates		**565,920**	581,188
Prepayments, deposits and other assets		**145,293**	136,992
Deferred tax assets		**255,034**	257,981
Total non-current assets		**3,881,879**	3,885,432
CURRENT ASSETS			
Inventories	*10*	**2,198,471**	2,400,946
Trade and bills receivables	*11*	**459,327**	456,425
Prepayments, other receivables and other assets		**457,104**	435,576
Pledged deposits	*12*	**255,237**	212,062
Cash and cash equivalents	*12*	**2,262,188**	1,857,516
Total current assets		**5,632,327**	5,362,525
CURRENT LIABILITIES			
Trade and bills payables	*13*	**405,978**	409,247
Other payables and accruals		**1,991,821**	2,267,673
Derivative financial instruments		**3**	109
Interest-bearing bank loans and other borrowings		**739,942**	558,973
Tax payable		**178,565**	156,666
Total current liabilities		**3,316,309**	3,392,668
NET CURRENT ASSETS		**2,316,018**	1,969,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,197,897**	5,855,289

	Notes	**2021**	2020
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,197,897**	5,855,289
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**563,079**	527,299
Defined benefit plan		**3,039**	8,932
Deferred revenue	*14*	**62,610**	65,121
Deferred tax liabilities		**72,779**	94,520
Other liabilities		**2,743**	7,477
Total non-current liabilities		**704,250**	703,349
Net assets		**5,493,647**	5,151,940
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**149,485**	149,267
Reserves		**5,389,056**	5,022,105
		5,538,541	5,171,372
Non-controlling interests		**(44,894)**	(19,432)
Total equity		**5,493,647**	5,151,940

1. CORPORATE AND GROUP INFORMATION

Ausnutria Dairy Corporation Ltd was incorporated as an exempted company with limited liability in the Cayman Islands on 8 June 2009. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal offices of the Group are located at (i) Unit 16, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong; (ii) Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the People's Republic of China (the "**PRC**"); (iii) Dokter van Deenweg 150, 8025 BM Zwolle, the Netherlands; and (iv) 25-27 Keysborough Avenue, Keysborough VIC 3173, Australia. The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 October 2009. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Company acts as an investment holding company of the Group. During the year, the Group is principally engaged in the research and development, production, marketing and distribution of dairy and related products and nutrition products to its worldwide customers, particularly in the PRC.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and defined benefit plans which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. 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).

When the Company has, directly or indirectly, 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

3 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had certain interest-bearing bank and other borrowings denominated in EUR based on Euro Interbank Offered Rate ("**EURIBOR**") as at 31 December 2021. The Group expects that EURIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's EURIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and had two reportable operating segments in 2021 as follows:

(a) the dairy and related products segment comprises the manufacturing and sale of dairy and related products, particularly on formula milk powder products, to its worldwide customers; and

(b) the nutrition products segment comprises the manufacturing and sale of nutrition products (other than dairy and related products) to its customers principally in Mainland China and Australia.

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 the reportable segment profit which is measured consistently with the Group's profit before tax except that interest income, non-lease-related finance costs as well as unallocated head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other bank deposits and pledged deposits as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans and other borrowings (other than lease liabilities) as these liabilities are managed on a group basis.

	Dairy and related products *RMB'000*	Nutrition products *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Segment revenue			
Sales to external customers	**8,696,145**	**177,129**	**8,873,274**
Intersegment sales	**–**	**–**	**–**
	8,696,145	**177,129**	**8,873,274**
Reconciliation:			
Elimination of intersegment sales			**–**
Revenue from operations			**8,873,274**
Segment results	**1,293,544**	**(39,020)**	**1,254,524**
Reconciliation:			
Interest income			**28,099**
Finance costs (other than interest on lease liabilities)			**(13,416)**
Corporate and other unallocated expenses			**(35,556)**
Profit before tax			**1,233,651**
As at 31 December 2021			
Segment assets	**6,896,134**	**426,068**	**7,322,202**
Reconciliation:			
Elimination of intersegment receivables			**(325,421)**
Corporate and other unallocated assets			**2,517,425**
Total assets			**9,514,206**
Segment liabilities	**2,785,877**	**382,533**	**3,168,410**
Reconciliation:			
Elimination of intersegment payables			**(325,421)**
Corporate and other unallocated liabilities			**1,177,570**
Total liabilities			**4,020,559**
Other segment information			
Impairment losses recognised in the statement of profit or loss	**310,783**	**14,554**	**325,337**
Share of profits and losses of associates	**(29,070)**	**(9,695)**	**(38,765)**
Investments in associates	**369,301**	**196,619**	**565,920**
Depreciation and amortisation	**263,422**	**13,629**	**277,051**
Capital expenditure*	**553,707**	**2,684**	**556,391**

	Dairy and related products *RMB'000*	Nutrition products *RMB'000*	Total *RMB'000*
Year ended 31 December 2020			
Segment revenue			
Sales to external customers	7,843,554	142,262	7,985,816
Intersegment sales	–	–	–
	7,843,554	142,262	7,985,816
Reconciliation:			
Elimination of intersegment sales			–
Revenue from operations			7,985,816
Segment results	1,264,735	(11,974)	1,252,761
Reconciliation:			
Interest income			31,603
Finance costs (other than interest on lease liabilities)			(20,752)
Corporate and other unallocated expenses			(42,766)
Profit before tax			1,220,846
As at 31 December 2020			
Segment assets	7,041,170	465,862	7,507,032
Reconciliation:			
Elimination of intersegment receivables			(328,653)
Corporate and other unallocated assets			2,069,578
Total assets			9,247,957
Segment liabilities	3,184,024	359,527	3,543,551
Reconciliation:			
Elimination of intersegment payables			(328,653)
Corporate and other unallocated liabilities			881,119
Total liabilities			4,096,017
Other segment information			
Impairment losses recognised in the statement of profit or loss	170,280	4,313	174,593
Share of profits and losses of associates	27,140	(1,038)	26,102
Investments in associates	374,874	206,314	581,188
Depreciation and amortisation	232,659	12,441	245,100
Capital expenditure*	519,454	11,499	530,953

* *Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of a subsidiary.*

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
The PRC	**7,803,250**	6,932,067
European Union	**658,474**	647,940
North and South America	**161,364**	144,175
Middle East	**112,361**	165,947
Southeast Asia	**57,093**	29,283
Australia	**23,358**	54,816
New Zealand	**311**	3,599
Others	**57,063**	7,989
	8,873,274	7,985,816

The revenue information is based on the locations of the customers.

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
The PRC	**1,144,793**	1,127,918
The Netherlands	**2,039,005**	1,959,269
Australia	**306,704**	380,346
New Zealand	**136,343**	159,918
	3,626,845	3,627,451

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

Information about major customers

During the year, there was no revenue from a single external customer accounting for 10% or more of the Group's total revenue (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**8,873,274**	7,985,816

Other income and gains

		2021	2020
	Note	***RMB'000***	*RMB'000*
Other income and gains			
Interest income		**28,099**	31,603
Government grants	*(a)*	**40,673**	43,576
Management fees income from associates		**196**	217
Others		**9,150**	14,709
Total other income and gains		**78,118**	90,105

(a) The amount mainly represented incentive income received from the government of the Hunan province, the PRC, where the Company's subsidiaries operate. All these grants are related to expenses and there were no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	2021 *RMB'000*	2020 *RMB'000*
Cost of inventories sold	**4,128,204**	3,829,266
Write-down of inventories to net realisable value	**274,340**	174,593
Cost of sales	**4,402,544**	4,003,859
Depreciation of property, plant and equipment	**167,024**	126,124
Depreciation of investment property	**1,312**	–
Depreciation of right-of-use assets	**51,440**	63,688
Amortisation of other intangible assets	**57,275**	55,288
Research and development costs	**193,157**	181,292
Impairment of goodwill**	**14,468**	–
Lease payments not included in the measurement of lease liabilities	**8,852**	6,292
Losses on disposal of items of property, plant and equipment	**2,590**	1,993
Write-off/losses on disposal of items of other intangible assets	**16,820**	5,294
Foreign exchange differences, net**	**12,728**	3,603
Fair value (gains)/losses:		
Derivative instruments		
– transactions not qualifying as hedges	**(100)**	380
– Subsequent HNC Consideration**	**–**	43,020
Impairment of trade receivables**	**36,529**	–
Provision for a customer claim**#	**34,250**	–
Auditor's remuneration	**8,000**	8,520
Advertising and promotion expenses	**1,282,745**	1,095,096
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and staff welfare	**1,004,157**	970,928
Temporary staff costs	**261,016**	212,151
Other employee related expenses	**135,143**	127,483
Equity-settled share option expense	**10,858**	20,170
Pension scheme contributions*	**74,320**	49,972
	1,485,494	1,380,704

* *At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).*

** *These items are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.*

\# *Amount represented provision for a claim from a former customer in relation to a legal proceeding in the Netherlands.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**13,516**	21,670
Interest on lease liabilities	**5,338**	8,098
Total interest expense on financial liabilities not at fair value through profit or loss	**18,854**	29,768
Unrealised gain on interest rate cap	**(100)**	(918)
	18,754	28,850

8. INCOME TAX

Taxes on assessable profits of the Company's subsidiaries have been calculated at the rates of tax prevailing in the jurisdictions in which the subsidiary operates. Under the PRC income tax laws, enterprises are subject to corporate income tax ("**CIT**") at a rate of 25%. Under the Netherlands income tax laws, enterprises are subject to the Netherlands CIT rate of 15% (2020:16.5%) for the first EUR245,000 (2020: EUR200,000) taxable profits and 25% for taxable profits exceeding EUR245,000 (2020: EUR200,000). Under Hong Kong tax laws, profits tax has been provided at the rate of 16.5% on the assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Under the United States tax laws, enterprises are subject to the United States CIT rate of 21%. Under the Canada tax laws, enterprises are subject to the Canada CIT rate of 26.5%. Under the Australia tax laws, enterprises are subject to the Australia CIT rate of 30%. Under the New Zealand tax laws, enterprises are subject to the New Zealand CIT rate of 28%. Under the Taiwan tax laws, enterprises are subject to the Taiwan CIT rate of 20%.

Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**") and Hyproca Nutrition Co. Ltd. ("**HNC**") were designated as High-tech Enterprises and were granted a preferential CIT rate of 15% up to the year ending 31 December 2022.

Ausnutria B.V. group has been granted a preferential tax benefit in April 2021 in the Netherlands which covers the period from 2018 to 2024 for the recognition of Ausnutria B.V. group's contribution on research and development in the past years. The preferential tax rates are 7% and 9% for the periods from 2018 to 2020 and from 2021 to 2024, respectively, on earnings that were or are to be generated by qualifying intellectual property.

	2021	2020
	RMB'000	*RMB'000*
Current charge for the year – Mainland China		
Charge for the year	**245,498**	231,314
Underprovision in prior years	**6,462**	–
Current charge for the year – Netherlands		
Charge for the year	**9,937**	39,427
Overprovision in prior years	**(19,961)**	(10,278)
Current charge for the year – Hong Kong		
Charge for the year	**7,350**	5,630
Current charge for the year – Taiwan		
Charge for the year	**1,422**	491
Deferred income tax	**(19,282)**	(45,772)
Total tax charge for the year	**231,426**	220,812

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,717,549,709 (2020: 1,648,004,506) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the share options issued. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Earnings

	2021	2020
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**1,040,262**	1,004,106

Shares

	Number of shares	
	2021	2020
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**1,717,549,709**	1,648,004,506
Effect of dilution – weighted average number of ordinary shares:		
Share options	**5,441,539**	9,709,475
	1,722,991,248	1,657,713,981

10. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**760,058**	891,148
Finished goods	**1,168,972**	1,160,386
Goods in transit	**242,047**	309,113
Others	**27,394**	40,299
	2,198,471	2,400,946

11. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**431,510**	437,138
Bills receivable	**27,817**	19,287
	459,327	456,425

The Group normally allows a credit period from 1 to 12 months (2020: from 1 to 12 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**342,357**	400,673
3 to 6 months	**34,853**	16,919
6 months to 1 year	**14,040**	8,850
Over 1 year	**40,260**	10,696
	431,510	437,138

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Impairment losses	**36,529**	–
Amount written off as uncollectible	**(348)**	–
Exchange realignment	**(1,542)**	–
At end of year	**34,639**	–

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 *RMB'000*	2020 *RMB'000*
Cash and bank balances	**2,253,860**	1,296,509
Time deposits	**263,565**	773,069
	2,517,425	2,069,578
Less: Pledged deposits for bank loans and overdrafts	**(255,237)**	(212,062)
Cash and cash equivalents	**2,262,188**	1,857,516

13. TRADE AND BILLS PAYABLES

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

	2021 *RMB'000*	2020 *RMB'000*
Within 12 months	**403,898**	406,969
Over 12 months	**2,080**	2,278
	405,978	409,247

Trade payables are interest-free and are normally to be settled within 12 months.

14. DEFERRED REVENUE

On 22 May 2018, the Company purchased two plots of land in Changsha city, Hunan province, for the building of the headquarters of the Group in the PRC region (the "**PRC Headquarters**"). In order to support the long-term growth of the Group, Ausnutria China received government grants as financial subsidies to support the development.

Such government grants received are treated as deferred revenue as at the end of the reporting period and are to be amortised and recognised as other income over the expected useful life of the PRC Headquarters.

15. SHARE CAPITAL

Share capital

	2021	2020
	HK$'000	*HK$'000*
Issued and fully paid:		
1,718,545,841 (2020: 1,715,903,508) ordinary shares of HK$0.10 each	**171,855**	171,590

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue** *'000*	**Share capital** *RMB'000*
At 1 January 2021		1,715,903	149,267
Share options exercised	*(a)*	2,643	218
At 31 December 2021		1,718,546	149,485

(a) The subscription rights attaching to 142,000 and 2,501,000 share options were exercised at the subscription price of HK$2.45 and HK$10.00 per Share, respectively, resulting in the issue of a total of 2,643,000 Shares for a total consideration before expenses, of HK$25,358,000 (equivalent to approximately RMB20,939,000). An amount of RMB3,318,000 was transferred from the share option reserve to share capital and share premium account upon the exercise of the share options.

(b) On 27 October 2021, Hongkong Jingang Trade Co., Limited (the "**Subscriber**"), a wholly-owned subsidiary of Inner Mongolia Yili Industrial Group Co., Ltd ("**Yili Industrial**") entered into a subscription agreement with the Company to subscribe for an aggregate of 90,000,000 new Shares of the Company of HK$0.10 each (the "**Subscription Shares**") at the subscription price of HK$10.06 per Subscription Share (the "**Yili Subscription**"). Further details regarding the Yili Subscription are set out in the announcement and circular of the Company dated 27 October 2021 and 15 December 2021, respectively. The issuance of new Shares to the Subscriber was completed subsequent to the end of the reporting period on 28 January 2022.

16. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend – HK28 cents (2020: HK27 cents) per ordinary share	**393,423**	389,927

The proposed final dividend for the year is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting.

17. EVENTS AFTER THE REPORTING PERIOD

On 27 October 2021, the Company was notified by Citagri Easter Limited, BioEngine Capital Inc., Center Laboratories, Inc. and Dutch Dairy Investments HK Limited, all being substantial Shareholders (collectively, the "**Vendors**"), that, Yili Industrial, through its wholly-owned subsidiary, the Subscriber, entered into a sale and purchase agreement with the Vendors to purchase an aggregate of 530,824,763 Shares at a total consideration of HK$5,340,097,116 (i.e. HK$10.06 per Share) (the "**Yili Transfer**"). Furthermore, on the same day, the Subscriber entered into a subscription agreement with the Company to subscribe an aggregate of 90,000,000 new Shares of HK$0.10 each at the subscription price of HK$10.06 per Subscription Share.

The Yili Transfer and the Yili Subscription were completed subsequent to the end of the reporting period on 28 January 2022.

On 17 March 2022, Yili Industrial became the controlling Shareholder upon final closing of the general offer.

CHAIRMAN'S STATEMENT

2021 was not only the 18th anniversary of Ausnutria, but also a momentous year in the Company's development. 2021 was a year of drastic change for many industries across the globe, including the infant formula industry in the PRC. Apart from the impacts of the prolonged COVID-19 pandemic and a changing competitive landscape caused by technologies and new forms of consumption, the industry is facing challenges posed by the lowering birth rate in the PRC. The rapidly changing industry witnessed unprecedentedly intense mergers and consolidation of dairy enterprises and severe competition in all product categories. Top-tier enterprises further fortified their presence and consolidated the market. At such a crossroads, we have to test our competitiveness against peers and unlock our internal development capacity. Working in unity for these common targets, all our employees around the world kept abreast with the times, seized every opportunity with enthusiasm, delivered stable growth, enhanced the management standard and unleashed the development potential of the Company's core business, with all their extraordinary efforts, endeavours and execution skills.

I. Stable Growth of Core Businesses

In the Year 2021, our revenue increased from RMB7,985.8 million to RMB8,873.3 million, with a year-on-year ("**YoY**") growth rate of 11.1%. Mainland China remained the Group's largest market for our own-branded formula milk powder products, accounting for 85.0% of our total revenue. Our gross profit increased from RMB3,982.0 million to RMB4,470.7 million, with a YoY growth rate of 12.3%. Our net profit attributable to the owners of the parent increased from RMB1,004.1 million to RMB1,040.3 million, with a YoY growth rate of 3.6%. All our three core own-branded infant formula, namely Kabrita (in the PRC), Hyproca and Allnutria, out-performed the industry and delivered encouraging double-digit growth. According to relevant industry data, our off-line sales market share increased further to approximately 6.9% and was ranked 5th in the infant formula industry in Mainland China. Particularly, our infant goat milk powder successfully maintained its leadership position. According to a market research report from AC Nielsen, Kabrita accounted for over 60% of the sales of imported infant goat milk powder in the PRC for 4 consecutive years since 2018. As for our nutrition business, revenue also surged by over 20% when compared with the previous year.

II. Continuous Enhancement in Supply Chain to Ensure Quality of Products

In Year 2021, we have strengthened our global supply chain as the production licenses of our two green plants in the Netherlands have been renewed, and two plants in Australia were granted approval by the General Administration of Customs of the PRC for its Registration of Overseas Manufacturers of Imported Food. The construction of our goat whey concentrate production facility in the Netherlands has been completed during the year and the new infant formula base powder facility is expected to be completed in 2023 as scheduled. Moreover, we successfully applied the World Class Manufacturing management concept to strengthen the coordination between our domestic and overseas supply chains, which greatly enhances efficiency and speeds up the supply of imported products. At the 8th Meeting of the 6th Committee of the China Dairy Industry Association held on 25 March 2021, Ausnutria was awarded the "Gold Quality Award (品質金獎)" for the 4th consecutive year, demonstrating the high level of consumer, market and industry recognition of our product quality and innovative research and development ("**R&D**"). Several market studies have shown that the quality of our products has been increasingly appreciated by the consumers.

III. Significant Improvement in Scientific Research Capability with Groundbreaking Research Findings

In 2021, we continued to step up our investment in R&D by utilising ongoing partnerships with first class tertiary institutions around the world to enhance our scientific research and innovation capability, apply our research findings to technology upgrades and product development, and lead the development of the industry.

During the year, the Ausnutria Basic Life & Nutrition Science Research Center (澳優生命營養基礎科研中心) in Changsha, the PRC commenced operation. Over 40 scientific research projects were being conducted at full steam, 45 and 33 patents were being applied for and granted, respectively, and 30 research papers were published (including 7 in the Science Citation Index). We also had 12 research publications in the Netherlands. Our Ausnutria Nutrition Institute (ANI) website was launched in 2021 as means of information and communication directly with global health care professionals. ANI was launched in 2020 where we bring together global dairy-based nutrition experts, knowledge and the latest scientific insights. As such, the Group has cemented its R&D foundation and carried out innovative fundamental scientific research projects in a steady manner. Furthermore, to achieve the goals of our "Golden Decade" development strategy, Ausnutria is currently working at researching maternal milk and functional probiotics in close collaboration with Professor Chen Wei's Academician R&D Station (陳衛院士專家工作站) of Jiangnan University in the PRC.

Since Ausnutria was founded, our global R&D team has been researching into breast milk for 18 years and has 10 key breast milk research projects across the globe as of today. Through further analysing the nutritional composition of breast milk by different race and health conditions, these projects aim at refining the "Chinese breast milk bank" and laying a solid foundation for the development of formulas that are nutritionally closer to breast milk. In June 2021, our Kabrita business unit ("**BU**") convened the first "GOAT-MRH" expert conference, at which we presented our "2021 Research White Paper on Breast Milk" jointly with the Chinese Center for Disease Control and Prevention and several other institutions to unveil the secrets of breast milk in various aspects such as the current breast-feeding status, proteins, fats, probiotics, human milk oligosaccharides (HMOs), active ingredients as well as other characteristics of breast milk. Furthermore, our well-established R&D partnership has a series of publications describing different aspects of our goat milk oligosaccharides analogue to HMOs and are beneficial for infants' gut and gastro-intestinal health. These act as reference points for future breastmilk research, development and technological innovation.

During the year, we made every effort to apply the results of our scientific research to our products and was well recognised. In particular, Neolac Organic Mama Formula (悠藍有機媽媽配方奶粉) received low glycemic index (GI) certification from Global Green Union (Beijing) Food Safety Certification Center (全球綠色聯盟(北京)食品安全認證中心). Based on the research findings of the "Research and Industrial Application of Low-GI Modified Milk Powder (低GI系列調製乳粉的研究及產業化應用)", Ausnutria has developed modified milk powders with low GI for pregnant women and middle-aged and elderly people, and obtained the "First Prize of Science and Technology Progress Award (科技進步一等獎)" from the China National Food Industry Association.

In addition, the Group strives to expand its portfolio from infant to child and adult nutrition products. In 2021, the State Administration for Market Regulation in the PRC approved the registration for our lactose-free infant formula for special medical purposes (which helps lactose intolerant infants). The National Health Commission of the PRC also approved the application made by Bioflag International Corporation (one of our associates) on the use of lactobacillus rhamnosus MP108 (a strain of new food raw materials that can help prevent different inflammations in children) in the PRC. This lactobacillus rhamnosus is the first strain developed by a Chinese company that has been approved for use in infant and children food in the PRC. It represented a breakthrough in the Chinese probiotics market. In January and June 2021, the Group received approval from Taiwan Food and Drug Administration for two of its food products for special medical purposes.

IV. Enriching Family-Wide Nutrition Product Portfolio

In 2021, we further enriched our product portfolio by rolling out several new products. New formula milk powders included the toddler growth formula of Hyproca 1897, Hyproca 1897 Formula for the Future（海普諾凱1897未來版）(an innovative HMO-blended formula) and Aoyouyou+（澳優優+) series (a Made-in-China formula milk powder of Allnutria), including the Aoyouyou+ toddler growth formula and the first Aoyouyou+ formula with folic acid for pregnant and postpartum women. Also, we introduced a brand new camel milk product line including NC camel milk modified milk powder (NC駱駝奶調製乳粉）so as to broaden consumers' choices of nutritional products. On the other hand, we launched the new Kabrita Youzhuang Pro（佳貝艾特悠裝Pro) premium goat milk formula series. Together with the existing popular super premium series, Yuebai（悅白）, they can cater to the needs of different consumer groups. We have also launched a number of novel items. One of the most impressive products officially rolled out during the year was Aunulife's Little Orange Box, our first probiotics products for infants (which has the exclusive use of lactobacillus rhamnosus MP108), to safeguard the gut health of Chinese babies. Furthermore, we also rolled out an upgraded version of Gut Relief, namely NC Soforwe Gut Relief Plus (NC 蘇芙衛養胃粉加強版）, as well as the NC Soforwe Qidan panax pseudo-ginseng and bletilla striata capsule (NC蘇芙衛七丹牌三七白及膠囊）, a health supplement jointly developed by Nutrition Care and Yunnan Qidan Pharmaceutical Co., Ltd.

V. Boosting Recognition and Reputation

In 2021, all our brands and BUs targeted tens of billions of views through TV brand promotion in popular TV series and most acclaimed variety shows. We also engaged in multi-dimensional interaction with target consumers in key PRC cities through a combination of mediums such as large digital advertising screens in business districts, billboards at bus stations, airport and escalators, and expanded the vertical maternity store platform. These aimed at promoting the recognition of our brands through education for target groups. In November, we joined the China International Import Expo with the theme of "Better Nutrition, Better Life（更優營養，更優生活）" and showcased our globalised development ability with new products as well as a new intellectual properties image, namely Little Ausnutria（澳小優）.

VI. Recovering Sales in Other Territories

In 2021, lockdowns, logistics challenges and travel restrictions continued to impact our development on Kabrita and private label businesses in the overseas market, which accounted for 2.5% and 2.4%, respectively of the Group's total revenue. Despite the headwinds, we saw some encouraging rebounce in these sectors in the second half when compared with the first half of 2021 particularly in the United States markets. South Africa, Cambodia and Mexico markets also contributed meaningful revenue despite our brands only entering these markets in recent years. We continue to see tremendous potential to expand our business into other parts of the world, particularly Kabrita given its unique market position and our solid supply chain.

VII. Introducing a Renowned Shareholder in the Industry to Enter a New Chapter for the Group's Strategic Development

On 27 October 2021, Yili Industrial was brought onboard as the single largest Shareholder. Being the largest standalone merger and acquisition between PRC dairy enterprises for the year, Yili Industrial's strategic investment in Ausnutria captured the market's attention. Yili Industrial and the Company will co-operate to realise 1+1>2 strategic synergies in the global market and promote the development of the PRC dairy industry and the global health food sector. Such transaction was completed on 28 January 2022. On 17 March 2022, Yili Industrial became the controlling Shareholder upon final closing of the general offer.

VIII. Constant Provision of Quality Human Resources by Ausnutria Academy to Support Corporate Expansion

To constantly improve the Group's capability, our Ausnutria Academy has formulated a six-level talent development system with Ausnutria's character according to four major concepts: teaching the essence, improving skills, sharing culture, and developing and retaining the best. The principles, concepts, name and operation of the design of this human resource development scheme of Ausnutria Academy were much praised and awarded as the "Chinese Model Corporate Education Platform (中國企業標杆學習平台)" in 2021 on the 10th Chinese Model Corporate Education Platform Forum (第十屆中國企業標杆學習平台論壇活動).

IX. Proudly Taking Up Social Responsibility to Achieve True Sustainable Development

In 2021, we continued to uphold our sustainability vision through different actions. We actively participated in charitable and anti-pandemic activities, donated over RMB47 millions worth of materials jointly with our Changsha Ausnutria Charity Foundation (長沙市澳優公益慈善基金會) ("**Ausnutria U-Foundation**"), and received an "Extraordinary Contribution Award (特殊貢獻獎)" from the Red Cross Society of China for COVID-19 prevention and control efforts during the year. Entering the 5th consecutive year in operation, Ausnutria U-Foundation Hyproca's Tundra Rose project continued to explore ways to improve the living standards of mothers and babies and promote the health and development of children in Tibet by improving the dissemination of scientific maternity knowledge, enhancing the medical expertise of rural medical practitioners, donating materials, granting special support funds and carrying out other actions in the region. Moreover, the construction of our new headquarters in the PRC was completed in 2021. The new headquarters can accommodate our long-term development and provide a spacious, refreshing and productive working environment for our employees. In addition, together with our corporate partners, we continued to proactively follow the PRC's national goal of achieving carbon neutrality by 2060, build a sustainable green supply chain and support environmental protection by jointly promoting green manufacturing as the new engine of economic growth and new edge against international competitors. We will keep upholding our commitment to corporate social responsibilities and support different communities from time to time.

X. Starting a New Chapter of Development by Moving into Headquarters Complex

Celebrating the 18th anniversary of the Company, in 2021, the Group officially opened our new headquarters complex in Yueliangdao, Changsha, the PRC with a gross floor area of over 40,000 square metres. All BUs have moved into the new headquarters complex to improve team spirit across the Group and lay the solid foundation for our exponential growth.

XI. Outlook

As of 31 December 2021, our net cash balance amounted to RMB1,214.4 million, and we continue to maintain a healthy level of cash conversion and liquidity position.

Despite the challenges that the industry is currently facing, we remain optimistic about its future. With the high vaccination rate, a global economic recovery is in sight. Further, the PRC Government has implemented a series of favourable policies to encourage births, including cancelling the restrictive laws and adopting supportive measures to reduce the burden of childbearing, parenting and education.

Looking forward to 2022, we will continue to fight with dogged determination, seize new development opportunities, deliver steady growth of our core business and brands, complete the second registration of existing formulas, and secure the approval of all key products. At the same time, we will also diversify our mix of nutrition products and products for special medical purposes, expand the international reach of our probiotics business, procure timely completion of R&D, production testing and clinical trials, and obtain respective registrations and approvals.

To fully unleash our brand influence and marketing synergies, the Group will further strengthen internal collaboration and teamwork. We will accelerate the digitalisation of our financial, human resource sharing and marketing systems in order to comprehensively optimise our organisational development, supportive systems and operational and management standard. Meanwhile, by cooperating with Yili Industrial, we will effectively achieve the objectives of the collaborative projects between the parties and improve the profitability of the Company through economies of scale and efficiency.

Furthermore, we will make every effort to enhance the efficiency and performance of our global supply chain, improve quality and control costs with the aim of establishing a stable and responsive supply chain security system. We will also carry on our market globalisation strategy by developing the Southeast Asian market while reinforcing the existing markets in North America, Europe, Middle East and South America with a view to realise profits from all of our brands across the world.

2022 marks the final year of the second phase of our Golden Decade development plan. Under the guidance of the nation's focus on high-quality development, the Group will continue to concentrate on the health business by striving for further enhancement in innovation, production, supply, quality control, marketing, customer service, partner support, digitalisation, smart development, organisation, team-building, brand-building, social responsibility and corporate development. With stronger confidence in our culture and broader vision into the future, Ausnutria will spare no effort to promote our reputation across the globe, attain high-quality corporate development, deliver better results and contribute more to the nation, the society and the people.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Due to the combined impacts of changing demographics and the COVID-19 pandemic, the number of newborns in the PRC declined further in 2021. On 17 January 2022, the National Bureau of Statistics of China reported that the total number of births in the PRC in 2021 was 10.62 million, representing a decrease of 1.40 million or 11.6% as compared with 2020. As the number of newborn babies dwindles, the growth of the infant formula industry, which depends on infants as its key target consumers, continued to slow down. According to relevant industry data, total retail sales of the PRC infant formula industry in 2021 increased by 2.2%, which was mainly driven by a shift towards premium products.

Although competition in the industry has been intensifying due to the decrease in newborns, top-tier enterprises were able to gain additional share and consolidate the industry in the competition for the existing market thanks to their well-established supply chains, strong brand power and flexible and fast channel servicing ability. According to relevant industry data, top three and top ten PRC infant formulas accounted for 43.7% and 82.1%, respectively, of the market in 2021, representing increases of 4.1 and 4.8 percentage points, respectively, as compared with 2020. In fact, domestic brands were cementing their positions in the market of top-tier brands with their advantageous distribution networks and efficient channel operations. According to relevant industry data, half of the top ten infant formula brands in the PRC in 2021 were domestic brands (including the Company) with a total market share of 45.3%. In 2021, sales of the Group's own-branded formulas in the PRC increased by 13.6% to RMB7,544.1 million and accounted for off-line sales of approximately 6.9% of the market, representing a YoY increase of 0.5 percentage points.

Affected by the dipping birth rate, the competitive landscape facing by the infant formula industry will remain unchanged in 2022. However, we believe that enterprises with top-notch brands will continue to benefit from the aforementioned advantages so as to obtain more market share and further consolidate the industry. Furthermore, we expect the birth rate to gradually recover in the next 2 to 3 years from the delay in childbearing due to vaccination. Add to that the preliminary success of the three-child policy promoted by the PRC government, we can postulate that the industry have bottomed out.

Financial Review

Analysis on Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue

	Notes	**2021**	2020	Change	**Proportion to total revenue**	
		2021	2020	Change	**2021**	2020
		RMB'M	*RMB'M*	*%*	***%***	*%*
Own-branded formula milk powder products:						
Cow milk (in the PRC)	*(i)*	**4,414.1**	3,820.2	15.5	**49.7**	47.8
Goat milk (in the PRC)	*(i)*	**3,130.0**	2,818.4	11.1	**35.3**	35.3
Goat milk (elsewhere)	*(i)*	**218.2**	287.8	(24.2)	**2.5**	3.6
Goat milk total		**3,348.2**	3,106.2	7.8	**37.8**	38.9
		7,762.3	6,926.4	12.1	**87.5**	86.7
Private Label and others:						
Private Label	*(ii)*	**211.6**	209.0	1.2	**2.4**	2.6
Others	*(iii)*	**722.3**	708.1	2.0	**8.1**	8.9
Private Label and others total		**933.9**	917.1	1.8	**10.5**	11.5
Dairy and related products		**8,696.2**	7,843.5	10.9	**98.0**	98.2
Nutrition products	*(iv)*	**177.1**	142.3	24.5	**2.0**	1.8
Total		**8,873.3**	7,985.8	11.1	**100.0**	100.0

Notes:

(i) Representing the sales of own-branded cow milk formula products in the PRC and Kabrita in the PRC, Europe, the Commonwealth of Independent States ("**CIS**"), the USA, Canada, the Middle East countries, South Korea, South Africa, Mexico, etc.

(ii) Representing the sales of formula milk powder products (including infant formula) under the customers' own brands.

(iii) Representing mainly the sales of milk, milk powder, cream and other milk derived ingredients such as whey protein powder, etc.

(iv) Representing the sales of nutrition products in the PRC and Australia which are mainly produced in Australia.

Despite the prolonged outbreak of the COVID-19 pandemic, the headwinds from the declining birth rate and the intense market competition, the Group's recorded revenue of RMB8,873.3 million for the Year 2021, representing an increase of 11.1% when compared with the Year 2020. The increase was mainly driven by the continuous increase in revenue of the Group's own-branded formula milk powder business by 12.1% to RMB7,762.3 million attributable by the effective marketing strategies launched by the Group and the continuous product premiumisation trend in Mainland China. Such increase in growth rate was partly offset by the slower than expected revenue growth in the overseas market which was adversely affected by the lockdown and travel restrictions during the year. Excluding the revenue attributed to the overseas market, the Group's revenue derived from own-branded formula milk powder products in the PRC market, which accounted for 85.0% of the Group's total revenue, increased by 13.6% to RMB7,544.1 million. According to relevant industry data, the Group's market share in the infant formula market in Mainland China increased further to 6.9% and was ranked fifth in the infant formula industry in the Year 2021.

Own-branded cow milk formulas

During the year, revenue of the Group's own-branded cow milk formulas amounted to RMB4,414.1 million, representing a YoY increase of RMB593.9 million or 15.5%. Amongst all BUs, the Hyproca 1897 BU (which comprises the brands of Hyproca Hollary, Hyproca Hypure and Neolac), focuses on the ultra premium market and recorded revenue for the Year 2021 of RMB3,181.5 million, representing a YoY increase of RMB483.9 million or 17.9% as compared with the Year 2020. In particular, Hyproca Hollary, one of our superstar brands, remained one of the fastest-growing brand of the Group with a YoY growth rate of 22.0%. The Allnutria BU gathered momentum after streamlining its brands, organisation and channels in the Year 2020, and recorded revenue for the Year 2021 of RMB1,019.3 million, representing a YoY increase of RMB192.7 million or 23.3% as compared with the Year 2020. Especially, Allnutria G4, one of the major brands of Allnutria, recorded a 49.8% YoY growth in the Year 2021 as compared with the Year 2020.

Own-branded goat milk formulas

After the channel reform of Kabrita in the PRC in the Year 2020, the Group's own-branded goat milk formulas resumed its growth momentum in the Year 2021 with a revenue of RMB3,348.2 million, representing a YoY growth of 7.8%. In particular, revenue derived in the PRC market, which accounted for 93.5% of the global Kabrita sales for the year, recorded a YoY increase of 11.1%.

According to research data from Frost & Sullivan, the PRC goat milk powder market reached a scale of RMB20.0 billion in terms of retail sales in the Year 2020. The Group's goat milk powder products, namely Kabrita, remained the leader in the PRC market. A market research report issued by AC Nielsen showed that for the past four years, Kabrita made up over 60% of the sales of imported infant goat milk powder in the PRC for 4 consecutive years.

Other than in the PRC, Kabrita is also available in markets including Europe, the USA, the Middle East countries, the CIS, Mexico, etc. Due to the COVID-19 pandemic, revenue derived from these markets recorded a decline of 24.2% to RMB218.2 million for the Year 2021. Despite that, we observe some encouraging recovery with revenue derived in the second half which increased by 42.7% when compared with the first half of 2021.

All Kabrita of the Group is produced in the Netherlands using 100% goat whey protein. The Company attributed the success of Kabrita to its unique formula, its high quality of milk source, effective marketing strategies and high level of education and services provided to customers.

Private Label and Others

During the Year 2021, revenue of formula milk powder products on an original equipment manufacturing basis (the "**Private Label**") and other businesses, which represented 10.5% of the total revenue of the Group, both increased by a low single digit growth to RMB211.6 million and RMB722.3 million, respectively. The increase in revenue on Private Label was mainly attributable to growth in business of the existing Private Label customers. Due to the lockdown and travel restrictions as a result of COVID-19 pandemic, the development of new customers for Private Label business was temporary interrupted during the year. The increase in revenue on others was mainly attributable to the increase in trading of commodities as a result of the increase in the intake of milk, particularly goat milk, for the processing of related ingredients in order to fulfil internal production needs. Trading of the related by-products such as cream, milk powder, etc., increased accordingly.

Nutrition business

During the Year 2021, revenue derived from the nutrition products amounted to RMB177.1 million, representing a YoY increase of RMB34.8 million, or 24.5%. The increase was mainly attributable to the continuous increase in sales of NC Gut Relief, a product which has beneficial effect on the gastrointestinal tract, and a series of probiotic related products which was newly launched in last year. Revenue contributed by the probiotic related products amounted to a total of RMB84.2 million, representing an increase of 108.9%, for the Year 2021.

Gross profit and gross profit margin

	Gross profit		**Gross profit margin**	
	2021	2020	**2021**	2020
	RMB'M	*RMB'M*	***%***	*%*
Own-branded formula milk powder products:				
Cow milk	**2,641.2**	2,200.8	**59.8**	57.6
Goat milk	**1,964.8**	1,834.8	**58.7**	59.1
	4,606.0	4,035.6	**59.3**	58.3
Private Label and others	**25.7**	33.9	**2.8**	3.7
Dairy and related products	**4,631.7**	4,069.5	**53.3**	51.9
Nutrition products	**113.3**	87.1	**64.0**	61.2
	4,745.0	4,156.6	**53.5**	52.0
Less: write-down of inventories to net realisable value	**(274.3)**	(174.6)		
Total	**4,470.7**	3,982.0	**50.4**	49.9

The Group's gross profit for the Year 2021 was RMB4,470.7 million, representing an increase of RMB488.7 million, or 12.3%, when compared with the Year 2020. The increase in the gross profit margin of the Group from 49.9% for the Year 2020 to 50.4% for the Year 2021 was primarily due to the net effect of (i) the rebound of the profit margin of the Group's own-branded formula milk powder products following management's efforts on the strategic adjustments and channel reorganisation in the prior year; and (ii) the increase in inventories provision of RMB99.7 million mainly attributable to a provision made by the Group for the products that are not expected to be sold as scheduled as a result of the aggregate effects of market consolidation and change in consumer preferences.

Other income and gains

An analysis of other income and gains is as follows:

		2021	2020
	Notes	***RMB'M***	*RMB'M*
Interest income	*(i)*	**28.1**	31.6
Government grants	*(ii)*	**40.7**	43.6
Others		**9.3**	14.9
		78.1	90.1

Notes:

(i) The amount mainly represented the interest income derived from the bank deposits that were placed with banks in the PRC. The decrease in interest income was in line with the decrease in the average bank balances during the Year 2021.

(ii) The amount mainly represented incentive income received from the government of Hunan province, the PRC for the contribution made by Ausnutria China in Hunan province, the PRC during the Year 2021.

Selling and distribution expenses

Selling and distribution expenses, which mainly comprised advertising and promotion expenses, exhibition and trade show expenses, salaries and travelling costs of the sales and marketing staff and delivery costs, represented 27.2% (Year 2020: 25.9%) of the revenue for the Year 2021. The increase in the selling and distribution expenses to revenue ratio was mainly because more advertising and promotion activities in proportion to revenue were carried out during the year as the effects of the COVID-19 pandemic situation in Mainland China gradually receded and more resources were allocated to the advertising and promotion activities in face of the intense market competition in order to increase the market share of the Group.

Administrative expenses

Administrative expenses mainly comprised staff costs (including the non-cash equity-settled share option expense of RMB10.9 million (Year 2020: RMB20.2 million)), travelling expenses, auditor's remuneration, professional fees, depreciation and R&D costs.

The administrative expenses accounted for 8.0% (Year 2020: 8.7%) of the revenue of the Group for the Year 2021. The decrease in administrative expenses to revenue ratio was mainly due to the general decrease in the growth rate of respective expenses partly due to economies of scale and partly due to cost control measures implemented by the Group to enhance its competitiveness.

Other expenses

An analysis of other expenses is as follows:

	Notes	**2021** *RMB'M*	2020 *RMB'M*
Charitable donations	*(i)*	**22.3**	35.0
Foreign exchange losses, net	*(ii)*	**12.7**	3.6
Impairment of trade receivable	*(iii)*	**36.5**	–
Provision for a customer claim	*(iv)*	**34.3**	–
Impairment of goodwill	*(v)*	**14.5**	–
HNC FV Loss	*(vi)*	**–**	43.0
Others		**15.0**	7.1
		135.3	88.7

Notes:

(i) The amount was mainly for charitable and anti-pandemic activities.

(ii) The amount represented net foreign currency exchange losses arising from the foreign currency transactions, mainly between EUR and RMB, and translation of monetary assets and liabilities denominated in foreign currencies at the functional currency rates of exchange ruling at the end of the reporting period.

(iii) The amount represented impairment of trade receivable related to a customer which the balance was overdue for more than one year and considered not recoverable. The Group has already taken appropriate legal action for the recovery of such amount.

(iv) The Group has filed a legal proceeding in the Netherlands against a former customer. This claim led to a counterclaim from this customer. Based on the Company's assessment after evaluating the situation and the information available to-date, a provision for this claim of RMB34.3 million is recognised in the Year 2021.

(v) The amount represented the impairment of goodwill arising from the acquisition of certain of the Group's nutrition businesses. Due to the change in regulations in 2019 and the ongoing outbreak of COVID-19 pandemic since 2020, the performance of the Group's nutrition business has yet to achieve the previously set target. Accordingly, the recoverable amount of the nutrition business, which is calculated based on the latest 5-year forecast, is lower than its carrying amount and accordingly, an impairment of goodwill is recognised for the current year.

(vi) The prior year amount represented a loss on fair value change of a derivative financial instrument arising from the contingent consideration as a result of the acquisition of Hyproca Nutrition (Hongkong) Company Limited and its subsidiaries (the "**HNC FV Loss**").

Finance costs

The finance costs of the Group for the Year 2021 amounted to RMB18.8 million (Year 2020: RMB28.9 million), representing mainly interest on bank loans and other borrowings raised principally for the financing of the upstream capital expenditures of the Group, particularly in the Netherlands.

The decrease in finance costs was mainly attributable to the decrease in average interest-bearing bank borrowings and the decrease in effective interest rate due to a relatively higher portion of the borrowings were drawn down in the Netherlands where the interest rate was lower than in other jurisdictions, namely Hong Kong and Mainland China.

Share of profits and losses of associates

Balance mainly represented (i) share of losses of Farmel Holding B.V. and its subsidiaries (the "**Farmel Group**") of RMB35.3 million (Year 2020: share of profits of RMB21.4 million) for the Year 2021. The Farmel Group is principally engaged in the collection and trading of milk and dairy related commodities in Europe. The purpose for the investment in the Farmel Group is to secure the long-term milk supply for the Group's operations in the Netherlands; and (ii) share of losses of Bioflag International Corporation ("**Bioflag**") and its subsidiaries (the "**Bioflag Group**") of RMB9.7 million (Year 2020: share of losses of RMB1.0 million). The Bioflag Group is principally engaged in the R&D, manufacturing and sale of probiotics- and fermentation-related application products.

The reversal of performance of the associates was mainly due to:

(i) the decrease in results of the Farmel Group. During the reporting period, the Farmel Group, the Group's 50%-owned associate, entered into certain short positions relating to dairy commodities (including butter, milk and base powder) in order to hedge against the anticipated price fluctuation of those products. In respect of these short positions, the Farmel Group recognised losses of a total of EUR12.5 million (equivalent to RMB95.1 million), including unrealised mark-to-market losses of EUR7.5 million (equivalent to RMB57.1 million) for the reporting period and accordingly the Group recognised its share of these losses amounted to RMB47.6 million for the reporting period (the "**Hedging Losses**"). As of the date of this report, price of these dairy commodities has retreated and accordingly the abovementioned unrealised losses partially reversed subsequent to 31 December 2021; and

(ii) the decrease in results of the Bioflag Group owing to (a) the slower than expected business development; and (b) the recognition of an impairment of goodwill on certain of its subsidiaries amounted to RMB24.2 million (Year 2020: Nil) (the Group shared RMB6.3 million (Year 2020: Nil) thereon) during the year.

Income tax expenses

The profits generated by the Group for the Year 2021 were mainly derived from operations in the PRC and the Netherlands. Under the PRC income tax laws, enterprises are subject to the corporate income tax (the "**CIT**") at a rate of 25%. Ausnutria China and HNC, both being wholly-owned subsidiaries of the Company, were designated as High-tech Enterprises and were granted a preferential CIT rate of 15% for the Year 2021. All other subsidiaries established in the PRC are subject to the standard CIT rate of 25%. The standard CIT rate in the Netherlands was applied at 15% (Year 2020: 16.5%) for the first EUR245,000 (Year 2020: EUR200,000) taxable profits and 25% for the taxable profits exceeding EUR245,000 (Year 2020: EUR200,000). The standard CIT rates in Australia, New Zealand, the USA, Canada and Taiwan are 30%, 28%, 21%, 26.5% and 20%, respectively.

The Group's adjusted effective tax rate of 17.9% (excluding the adjusted items as shown below) for the Year 2021 increased by 0.4 percentage points as compared with the Year 2020 of 17.5% (excluding the HNC FV Loss of RMB43.0 million).

Profit attributable to ordinary equity holders of the Company

The Group's profit attributable to equity holders of the Company for the Year 2021 amounted to RMB1,040.3 million, representing an increase of RMB36.2 million, or 3.6% when compared with the Year 2020.

An analysis of profit attributable to equity holders of the Company on the like-for-like basis is set out below:

	2021	2020
	RMB'M	*RMB'M*
Profit attributable to equity holders of the Company	**1,040.3**	1,004.1
Non-recurring items:		
Impairment of trade receivable*	**36.5**	–
Provision for a customer claim, net of tax	**25.7**	–
Impairment of goodwill*	**14.5**	–
Professional fees in relation to various merger and acquisition projects, net of tax	**10.6**	–
Share of the Hedging Losses	**47.6**	–
Share of Bioflag's goodwill impairment*	**6.3**	–
The HNC FV Loss*	**–**	43.0
One-off BUs integration expenses, net of tax	**–**	36.2
	1,181.5	1,083.3
Additional inventory provision, net of tax	**81.1**	–
	1,262.6	1,083.3

* *Items adjusted for calculating effective tax rate*

Excluding the adverse impact attributable to various non-recurring losses and the additional inventory provision of RMB81.1 million (net of tax), the profit attributable to equity holders of the Company would have increased by RMB179.3 million or 16.6% to RMB1,262.6 million when compared with the Year 2020.

Analysis on Consolidated Statement of Financial Position

As at 31 December 2021, the total assets and net asset value of the Group amounted to RMB9,514.2 million (2020: RMB9,248.0 million) and RMB5,493.6 million (2020: RMB5,151.9 million), respectively.

The increase in total assets of the Group as at 31 December 2021 was mainly attributable to the net effect of:

(i) the increase in cash and cash equivalents and pledged deposits of a total of RMB447.8 million as a result of the cashflows generated from operating activities; and

(ii) the decrease in inventories by RMB202.5 million as a result of the aggregate effects of (a) the improved production planning and logistic lead time in the upstream production facilities; and (b) the recognition of additional inventory provision during the year.

The increase in total assets of the Group as at 31 December 2021 was mainly financed by cash flows generated from operating activities of the Group of RMB1,071.3 million (Year 2020: RMB1,130.2 million).

The increase in net assets of the Group as at 31 December 2021 was mainly a result of the net effect of (i) the net profit generated for the Year 2021 of RMB1,040.3 million (Year 2020: RMB1,004.1 million); (ii) the payment of 2020 final dividend of RMB388.2 million; and (iii) the decrease in the value of the Group's EUR denominated assets as a result of the depreciation of EUR against RMB.

Working Capital Cycle

As at 31 December 2021, the current assets to current liabilities ratio of the Group was 1.70 times (2020: 1.58 times). The increase in such ratio was mainly due to the net effect of the increase in cash and cash equivalents and pledged deposits and the decrease in inventories as explained above.

An analysis of key working capital cycle is as follows:

	2021 Number of days	2020 Number of days	Change Number of days
Inventories turnover days	**191**	203	(12)
Debtors' turnover days	**19**	20	(1)
Creditors' turnover days	**34**	35	(1)

The Group's inventories turnover days continue to decrease gradually for the Year 2021 and this was mainly attributable to the improved production planning and logistic lead time in the upstream production facilities. As set out in the 2020 annual report of the Company, the Company's short-term target is to reduce the inventories turnover days to 190 days which has more or less been achieved during the year. The turnover days of the Group's trade and bills receivables and payables remained fairly stable and were in line with the credit periods granted to the customers/by the suppliers.

Analysis on Consolidated Statement of Cash Flows

	2021 ***RMB'M***	2020 *RMB'M*
Net cash flows from operating activities	**1,071.3**	1,130.2
Net cash flows used in investing activities	**(606.5)**	(402.5)
Net cash flows used in financing activities	**(34.1)**	(494.9)
Net increase in cash and cash equivalents	**430.7**	232.8

Net cash flows from operating activities

The net cash flows from operating activities of the Group for the Year 2021 amounted to RMB1,071.3 million (Year 2020: RMB1,130.2 million) was mainly contributed by the profit before tax for the Year 2021 of RMB1,233.7 million (Year 2020: RMB1,220.8 million).

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group for the Year 2021 of RMB606.5 million (Year 2020: RMB402.5 million) mainly represented the effect of (i) the purchases of items of property, plant and equipment of RMB442.3 million (Year 2020: RMB439.9 million) mainly for the building of a new infant formula base powder facility (the "**New IFBP Facility**") and other related facilities in the Netherlands; and (ii) the additions to other intangible assets of RMB114.1 million (Year 2020: RMB66.7 million).

Net cash flows used in financing activities

The net cash flows used in financing activities of the Group for the Year 2021 of RMB34.1 million (Year 2020: RMB494.9 million) was primarily attributed to the net effect of (i) dividends paid during the year of RMB388.2 million (Year 2020: RMB322.4 million); and (ii) the net drawdown of new bank loans and other borrowings of a total of RMB342.8 million (Year 2020: net repayment of RMB152.0 million).

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

There were no material investments, acquisitions or disposals of subsidiaries and associated companies during the Year 2021.

TREASURY POLICY

The Group has adopted a prudent treasury policy in respect of investments in financial products. Any surplus funds of the Group will only be invested in time deposits or low risk financial instruments from reputable commercial banks that can be redeemed within a short notice period, including primary bank-sponsored wealth management products, money market funds and interbank deposits.

FINANCIAL RESOURCES, LIQUIDITY AND PLEDGE OF ASSETS

A summary of liquidity and financial resources is set out below:

	As at 31 December	
	2021	2020
	RMB'M	*RMB'M*
Interest-bearing bank loans and borrowings	**(1,303.0)**	(1,086.3)
Less: Pledged deposits	**255.2**	212.1
Cash and cash equivalents	**2,262.2**	1,857.5
	1,214.4	983.3
Total assets	**9,514.2**	9,248.0
Shareholders' equity	**5,538.5**	5,171.4
Gearing ratio[(1)]	**N/A**	N/A
Solvency ratio[(2)]	**58.2%**	55.9%

Notes:

(1) Calculated as a percentage of net bank loans and other borrowings over total assets.

(2) Calculated as a percentage of shareholders' equity over total assets.

The Group is dedicated to maintain its overall liquidity by maximising the cashflows generated from operating activities and increasing the facilities with banks to reserve sufficient funding to support its business development, in particular to meet the Group's strategy of building of the New IFBP Facility and other related facilities in the Netherlands and the extension into the nutrition business segment.

As at 31 December 2021, the Group had outstanding borrowings of RMB1,303.0 million (2020: RMB1,086.3 million), of which RMB739.9 million (2020: RMB559.0 million) was due within one year and the remaining RMB563.1 million (2020: RMB527.3 million) was due over one year. As at 31 December 2021, the Group's bank overdrafts and revolving facilities that were attributed to the Ausnutria B.V. group amounting to EUR100.0 million (equivalent to approximately RMB722.0 million) (2020: EUR100.0 million, equivalent to approximately RMB802.5 million), of which EUR60.0 million (equivalent to approximately RMB433.2 million) (2020: EUR20.0 million, equivalent to approximately RMB160.5 million) had been utilised as at 31 December 2021.

Subsequent to the end of the reporting period, in January 2022, a review of the Ausnutria B.V. group's loan facilities has been conducted. The bank overdrafts and revolving facilities have been increased by EUR50.0 million to EUR150.0 million.

As at 31 December 2021, the Group had pledged (i) the land and buildings, plant and machineries, inventories and trade receivables that were attributable to the operations in the Netherlands with a total carrying value of EUR289.0 million, equivalent to approximately RMB2,086.4 million (2020: EUR243.6 million, equivalent to approximately RMB1,955.0 million); and (ii) the time deposits that were placed in the PRC and the Netherlands of a total of RMB255.2 million (2020: RMB212.1 million) for the banking facilities granted to the Group for the financing of the Group's daily working capital and capital expenditure plans.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC, the Netherlands, Australia and New Zealand. During the Year 2021, revenue, cost of sales and operating expenses of the Group are mainly denominated in Renminbi ("**RMB**"), Hong Kong dollars ("**HK$**"), EURO ("**EUR**"), United States dollars ("**US$**"), Australian dollars ("**AUD**"), Taiwan dollars ("**TWD**") or New Zealand dollars ("**NZD**") and RMB is the Group's presentation currency. Besides, most of the bank deposits and bank loans of the Group are denominated in RMB, EUR and AUD, respectively. The Group is exposed to potential foreign exchange risk as a result of fluctuation of HK$, EUR, US$, AUD, TWD or NZD against RMB.

The Group adopts a hedging policy to actively manage its currency risk exposure concerning non-RMB denominated indebtedness. Depending on the market circumstances, trend of currency rates and the cost of hedging, the Group will consider and enter into hedging arrangement to mitigate the impact of RMB fluctuation against other operating currencies.

The management monitors closely on its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

INTEREST RATE RISK

The Group has exposure to the risk of change in market interest rate in relation to its interest-bearing bank loans and other borrowings with a floating interest rate. The Group will consider and enter into interest rate swap or cap contract to mitigate the risk of floating interest rate if necessary. In order to minimise the impact of the interest rate exposure, the Group entered into an interest rate cap contract with a bank of a notional amount of EUR40.0 million with 3-month floating Euro Interbank Offered Rate being capped at an interest rate of zero per annum. The interest rate cap contract will expire in 2023.

CREDIT RISK

The Group seeks to maintain strict control over its outstanding receivables and closely monitors the collection to minimise credit risk. As the Group's exposure spreads over a diversified portfolio of customers, there is no significant concentration of credit risk.

The carrying amounts of cash and cash equivalents, trade and bills receivables, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to the Group's other financial assets.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had contracted, but not provided for, capital commitments mainly in respect of purchase of land and buildings plant and machineries, intangible assets and acquisition of dairy related assets of a total of RMB634.7 million (2020: RMB89.0 million).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Shares during the Year 2021.

EVENTS AFTER THE REPORTING PERIOD

On 27 October 2021, the Company was notified by Citagri Easter Limited, BioEngine Capital Inc., Center Laboratories, Inc. and Dutch Dairy Investments HK Limited (all being substantial Shareholders) that, Yili Industrial, through its wholly-owned subsidiary, the Subscriber, entered into a sale and purchase agreement with the Vendors to purchase an aggregate of 530,824,763 Shares at a total consideration of HK$5,340,097,116 (i.e. HK$10.06 per Share). Furthermore, on the same day, the Subscriber entered into a subscription agreement with the Company to subscribe an aggregate of 90,000,000 new Shares at the subscription price of HK$10.06 per Subscription Share. The market price of the Shares was HK$8.85 per share, being the closing price of the Shares on 11 October 2021 which was the last trading day prior to the date of the aforementioned subscription agreement. The gross proceeds of the Yili Subscription were HK$905,400,000 and the net proceeds of the Yili Subscription, after deduction of the related expenses, were HK$904,900,000, representing a net price of HK$10.05 per Subscription Share.

The Yili Transfer and the Yili Subscription were completed subsequent to the end of the reporting period on 28 January 2022. On 17 March 2022, Yili Industrial became the controlling Shareholder upon final closing of the general offer.

DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK$0.28 (Year 2020: HK$0.27) per Share for the Year 2021 to be distributed out of the Company's share premium account. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") to be held on 26 May 2022, the proposed final dividend is expected to be paid on or around 23 June 2022. As at the date of this announcement, there was no arrangement with any Shareholders under which he/she/it has waived or agree to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the forthcoming AGM

For the purpose of determining Shareholders who are eligible to attend and vote and the forthcoming AGM, the register of members of the Company will be closed from 23 May 2022 to 26 May 2022 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified to attend the forthcoming AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 20 May 2022.

(b) Entitlement for the proposed final dividend

For the purpose of determining Shareholders who are qualified for the proposed final dividend, the register of members of the Company will be closed from 1 June 2022 to 6 June 2022 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 31 May 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high standards of corporate governance within the Group at all times and believes that such practices help safeguard the interests of the Shareholders, enhance corporate value and accountability as well as improve the Group's performance.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance practices. The Board also strives to implement the best practices embodies in the CG Code whenever feasible and as far as practicable.

In the opinion of the Board, the Company has complied with the respective code provisions of the CG Code during the Year 2021. The Company will continue to review its corporate governance practices from time to time to ensure they comply with the CG Code and align with the latest developments.

The CG Code and code provisions specified above refer to the CG Code and code provisions prior to their amendments effective on 1 January 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers for the Year 2021 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Lau Chun Fai Douglas, Mr. Jason Wan and Mr. Aidan Maurice Coleman. The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the Year 2021 including the accounting principles and practices adopted by the Group and discussed with the management of the Company on matters relating to auditing, risk management and internal controls and financial reporting.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the Year 2021, which contains the detailed results and other information of the Company for the Year 2021 required pursuant to Appendix 16 to the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ausnutria.com.hk in due course. This announcement can also be accessed on the above websites.

By order of the Board
Ausnutria Dairy Corporation Ltd
Yan Weibin
Chairman

The PRC, 28 March 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Weibin (Chairman), Mr. Bartle van der Meer (Chief Executive Officer) and Ms. Ng Siu Hung; three non-executive Directors, namely Mr. Sun Donghong (Vice-Chairman), Mr. Zhang Zhanqiang and Mr. Qiao Baijun; and three independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Mr. Jason Wan and Mr. Aidan Maurice Coleman.