澳优 Ausnutria

Annual Report 2024

Nourishing Life & Growth

AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

Nourishing Life & Growth

Ausnutria Dairy Corporation Ltd

Annual Report 2024

Contents

MISSION

Nourishing Life
& Growth.

VISION

To become the most
trustworthy milk formula,
nutrition and health-care
enterprise in the world.

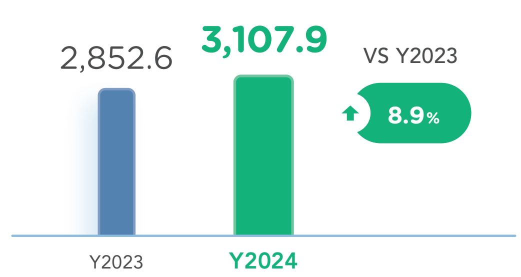
SUSTAINABILITY VISION

We strive to nourish life and growth by providing quality nutritional options to all on a global level. We are committed to creating value in a sustainable manner, and helping build a world in which everyone is empowered to live a healthy and prosperous life.

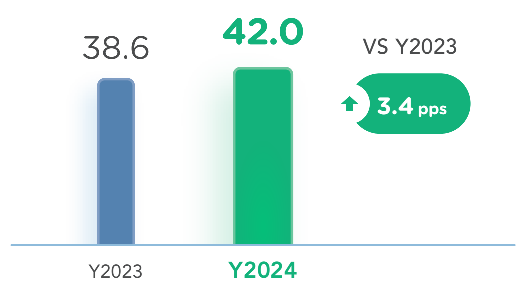
Revenue Contribution

Segment	Y2024	Y2023	Change
Own-branded Cow milk formula	RMB 2,106.6M	RMB 2,562.3M	↓ 17.8%
Own-branded Goat milk formula	RMB 3,699.2M	RMB 3,283.0M	↑ 12.7%
Others	RMB 1,292.0M	RMB 1,252.2M	↑ 3.2%
Nutrition products	RMB 304.6M	RMB 284.5M	↑ 7.1%

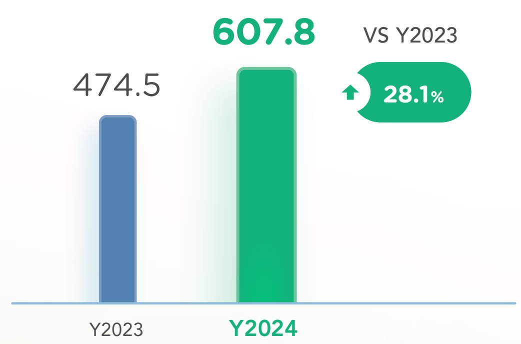
Gross profit
(RMB'M)



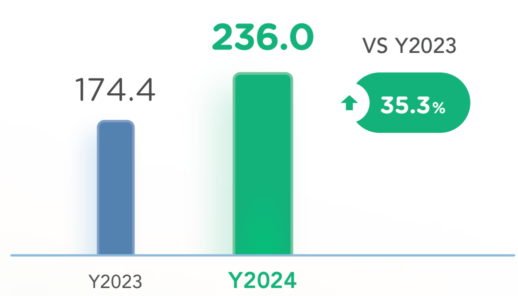
Gross profit
(in %)



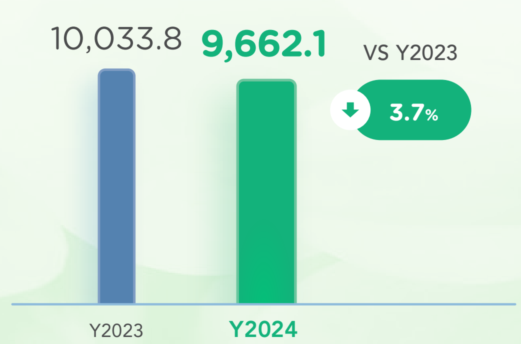
EBITDA
(RMB'M)



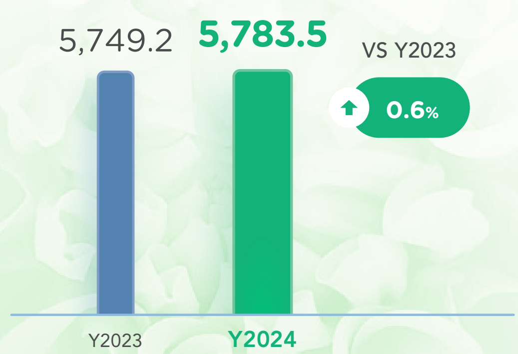
Profit attributable to Shareholders
(RMB'M)



Total assets
(RMB'M)



Net assets
(RMB'M)



(RMB'M, unless otherwise stated)	2020*	2021*	2022	2023	2024
Revenue	7,823.8	8,575.2	7,795.5	7,382.0	7,402.4
Gross profit	3,819.9	4,153.4	3,392.8	2,852.6	3,107.9
Gross profit (in %)	48.8	48.4	43.5	38.6	42.0
EBITDA	1,338.3	1,158.4	484.5	474.5	607.8
Profit before tax	1,095.9	890.7	251.3	201.8	312.5
Profit attributable to Shareholders	908.3	763.8	216.5	174.4	236.0
EPS (in RMB cent)	55.1	44.5	12.1	9.7	13.3
Cash inflows from/(used in) operating activities	1,130.2	1,071.3	(357.5)	224.7	299.4
Net assets	4,865.9	4,931.1	5,565.1	5,749.2	5,783.5
Total assets	9,317.8	9,632.5	9,796.1	10,033.8	9,662.1
Net cash/(debt)	983.3	1,214.4	426.7	(331.4)	(598.1)

* Restated.

The Group's own Brands:

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ren Zhijian *(Chief Executive Officer)*
Mr. Bartle van der Meer
Mr. Zhang Zhi

Non-executive Directors

Mr. Han Shixiu *(Chairman)*
Ms. Yan Junrong
Mr. Zou Ying

Independent Non-executive Directors

Mr. Ma Ji
Mr. Chen Fuquan
Mr. Aidan Maurice Coleman

COMPANY SECRETARY

Ms. Cheung Ka Lai

AUTHORISED REPRESENTATIVES

Mr. Han Shixiu
Ms. Cheung Ka Lai

AUDIT COMMITTEE

Mr. Ma Ji *(Chairman)*
Mr. Chen Fuquan
Mr. Aidan Maurice Coleman

NOMINATION COMMITTEE

Mr. Han Shixiu *(Chairman)*
Mr. Zou Ying
Mr. Ma Ji
Mr. Chen Fuquan
Mr. Aidan Maurice Coleman

REMUNERATION COMMITTEE

Mr. Chen Fuquan *(Chairman)*
Mr. Han Shixiu
Mr. Ren Zhijian
Mr. Ma Ji
Mr. Aidan Maurice Coleman

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong law
King & Wood Mallesons

FINANCIAL ADVISER ON RETAINER BASIS

Asian Capital Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACES OF BUSINESS

In Hong Kong

Unit 16, 36/F.
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

In Mainland China

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Suncity, Purui East Road
Yueliangdao Street
Wangcheng District, Changsha City
Hunan Province, the PRC

In the Netherlands

Dokter van Deenweg 150
8025 BM Zwolle
The Netherlands

In Australia

25-27 Keysborough Avenue
Keysborough VIC 3173
Australia

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company
(Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Rabobank
China Construction Bank
Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

1717

INVESTORS' CONTACT

Ms. Tracy Sun
Email: ir@ausnutria.com

COMPANY'S WEBSITE

www.ausnutria.com.hk

Chairman's Statement

On behalf of the board of directors (the "**Board**") of Ausnutria Dairy Corporation Ltd ("**Ausnutria**" or the "**Company**"), I hereby present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**Year 2024**").

Looking back at 2024, it was a year full of opportunities and challenges. From a macro perspective, the global economy saw a mild recovery following the pandemic, while in terms of monetary policy, with inflationary pressure alleviating, Europe and the United States of America (the "**US**") entered a period of interest rate cuts. However, the recovery process still faced uncertainties such as low economic growth. Domestically in the People's Republic of China (the "**PRC**"), the overall economy has been improving steadily and showed stronger resilience and vitality. From an industry perspective, the infant milk formula ("**IMF**") industry in the PRC faced intensifying competition and higher concentration in recent years. As the overseas IMF sectors are shifting towards premiumisation and various leading enterprises in the PRC have extended their presence abroad, more intense competition is expected in the future. In 2024, all Ausnutria's employees followed the established strategic direction, made concerted efforts with unwavering determination and took concrete steps to ensure the Company's steady progress amid a complex and changing industry environment. Such endeavours have achieved hard-won progress and results.

I. FINANCIAL PERFORMANCE

Revenue of the Company for the Year 2024 amounted to RMB7,402.4 million, representing a year-on-year ("**YoY**") growth of RMB20.4 million or 0.3%. Net profit attributable to the equity holders of the Company amounted to RMB236.0 million, representing a YoY growth of RMB61.6 million or 35.3%. Both revenue and profit achieved growth amid difficulties in the general environment. For six consecutive years, the Company's own-branded goat milk formulas (the "**Own-branded Goat Milk Formulas**" or "**Kabrita**") have accounted for over 60% of the market share of goat milk powder for infants and toddlers imported into the PRC. In terms of international business, Kabrita demonstrated rapid growth in multiple markets around the world and continued to be the top-seller in the goat milk powder market globally in terms of quantity and value. The sales performance of the Company's own-branded cow milk formulas (the "**Own-branded Cow Milk Formulas**" or "**Hyproca**") faced short-term pressure due to the stringent control measures for channel management, which will, however, be beneficial in the long run to safeguard brand value and market order.

Over the past year, in the face of the grave situation, all our staff actively put Ausnutria's operating philosophy into practice and rose to the challenge. Kabrita sustained satisfactory momentum and achieved steady growth in both revenue and profit. Hyproca continued to bolster its brand power and enhance its team organisation capability. The international business rose to prominence with notable growth in both revenue and profit. The nutrition business had gradually gained core competitive advantages and achieved sustained growth. All these are hard-won achievements.

II. REMARKABLE CHANNEL BUILDING EFFORTS AND YIELDING MUTUAL BENEFITS WITH PARTNERS

In terms of channel building, adhering to the "horizontal + vertical" channel growth strategy, Kabrita continued to boost the potential and capability of its channels through diverse measures such as enhancing the performance of key channels, optimising channel profit chain and improving product channel layout and operation, thereby further consolidating its market competitiveness. Hyproca achieved "two-pronged" growth in brand influence and sales conversion through a high degree of integration between online and offline marketing. Bioflag Nutrition Corporation Ltd ("**Bioflag**") realised a growth in the pharmaceutical business and formed in-depth strategic cooperations with its core customers, thus further securing its edges in traditional channels. Based on its established foothold on TikTok's global shopping platform, NC Aunulife implemented a differentiated layout on a similar channel, Kuaishou.

III. CONTINUOUS ENHANCEMENT IN BRAND BUILDING WITH RISING BRAND INFLUENCE

In terms of brand building, Kabrita continued to reinforce the mindset of "Goat Milk, Your First Choice" among consumers through multi-dimensional marketing strategies. Hyproca enhanced its brand influence on all fronts with brand building as its core driving force by upgrading its branding strategy, endorsing its products with authority and integrating its marketing efforts. The nutrition business built a brand mix under the parent brand of NC comprising NC, NC Kids and NC Aunulife. Such matrix comprehensively covers consumer groups of all ages and meticulously addresses the needs throughout the life cycle and under diversified conditions, thus creating an all-round brand ecosystem with high quality.

IV. PERSISTENT PURSUIT OF INNOVATION AND R&D TO LEAD FUTURE DEVELOPMENT

In terms of platform innovation, we continued to strengthen our infrastructure. In March 2024, The Zebrafish Model Organism Laboratory in Ausnutria's Global R&D Centre was established and is now in full operation. The Five Sphere Integrated Plan of Ausnutria Life Nutrition Fundamental Research Shared Centre, a comprehensive evaluation system covering in vitro systems, cellular mechanistic analyses, model organism validation, mammalian preclinical trials and human clinical investigations, was further enhanced. In May, the innovative Lifecycle Management Platform (PLM System Phase I – Enovia) invented by Ausnutria was launched. This is a pioneering system created by a milk powder enterprise and has set a benchmark for the industry.

All our factories in the Netherlands and Australia have obtained certificates of formula registration. Among them, 9 formulas under 3 series produced in our Australian factories have been approved, marking us the first-ever enterprise in the PRC to have a complete series of IMF produced in Australia approved under the new national standards (the "**New GB**"). In March 2024, Kabrita's YueHu goat milk powder was shortlisted for the Best Children's/Baby Product in the World Food Innovation Awards, and Hyproca Hollory's comprehensive nutritional formula milk powder product series was affirmed as reaching "International Advanced Standards" in terms of formula and technology and was selected as one of the 2024 Major Scientific and Technological Innovations in the Dairy Industry. In May, Kabrita's YueHu goat IMF and Yingjia high calcium adult goat milk powder won the Gold Award of Monde Selection's Quality Awards, and Kabrita's JingYing toddler nutrition formula goat milk powder won the Silver Award of Monde Selection's Quality Awards. Meanwhile, one of our research and development ("**R&D**") achievements, the "Research and Development of an Infant Milk Formula Powder that Helps Enhance Immunity", received the First-class Award for Technological Advancements from the China Dairy Industry Association. In September, the plastic milk powder can lid developed by Ausnutria received the Technology Innovation Award of the 14th M.Success Packaging Innovation and Sustainable Development Award. In November, the Key Technologies and Applications of Targeted Screening and Ambient Encapsulation Stabilisation of Probiotics, which was jointly developed by various organisations including Ausnutria and Inner Mongolia Yili Industrial Group Co., Ltd. ("**Yili Industrial**"), won the First-class Award for Technological Invention of the Chinese Institute of Food Science and Technology.

In terms of intellectual property, we applied for 24 patents and 220 trademarks in total, with 22 patents authorised and 134 trademarks registered, and published 56 research papers. Ausnutria also received the 2024 Intellectual Property Award (Patent Navigation Analysis) by the government of Wangcheng District, Changsha City, the PRC and was ranked among the "Top 50 New R&D Institutions in Changsha City" by the government of Changsha City, the PRC.

V. CONTINUOUS ENHANCEMENT AND OPTIMISATION OF GLOBAL SUPPLY CHAIN TO ACHIEVE SELF-SUFFICIENCY IN CORE RAW MATERIALS SUPPLY

In October 2024, we completed the acquisition of the remaining 50% shares of Amalthea Group B.V., a goat cheese company in the Netherlands. This has enabled Kabrita to achieve self-sufficiency in terms of the core raw materials of its goat milk formula products and also enriched the variety in Ausnutria's cheese product portfolio. Our further enhancement in the goat milk supply chain has demonstrated Ausnutria's confidence in the goat milk industry as well as continuous commitment to foster the goat milk business.

VI. RAPID DEVELOPMENT OF OVERSEAS BUSINESSES

Amidst the increasing number of domestic enterprises embarking upon international expansion, Ausnutria, which adopted a pioneering strategy for overseas development many years back, has made enormous strides in development and sustained rapid growth in 2024, thereby securing a leading position and enjoying a head start in the overseas goat milk powder market. We had successfully expanded our presence into Saudi Arabia and gained the trust of more mothers in the Middle East with our first-class product quality and superb services. We successfully entered the US market to market and distribute Kabrita's infant formula (0 to 12 months) ("**Kabrita IMF**") after meeting all the requirements as set out by the U.S. Food and Drug Administration (the "**US FDA**") in July 2023. In 2024, being its first year on the market, Kabrita IMF became one of the monthly best-selling items in the goat IMF category on Amazon US. We have made our efforts to achieve sustainable and rapid growth steadily and cautiously with an emphasis on risk management. Having a track record of recognitions from consumers abroad, Ausnutria's overseas businesses have continuously gained global reputation and awareness and have attracted the spotlight at various domestic and international events.

VII. ADHERING TO INTEGRITY AND ETHICS IN OPERATION AND FOSTERING A ROBUST TEAM

Abiding by the rules and operating with integrity are the cornerstones of our healthy and sustainable development. To ensure the effective implementation and execution of business strategies and foster a robust team with passion and vitality, we firmly uphold the red lines of fighting fraud and keeping market order, continue to improve our team organisation capability, step up the cultivation of middle management talents and create small but efficient operating units. Under the leadership of our insightful pioneers, the operating philosophy of Ausnutria was turned into a common language globally that all Ausnutria staff share and resonate with.

VIII. OUTLOOK

In 2025, as the macro-environment remains uncertain and industry peers continue to compete under market shrinkage, competition will become more intense. To win in such a fierce environment, it is crucial to stay strategically focused while optimising our operating strategies promptly in response to the industry development and competition, and enhance the team's execution capability in all aspects. With a clear future development blueprint in mind, the Company has formulated strategic plans and laid down sophisticated and strategic road maps and key tasks as follows:

1) In 2025, we will nurture and maintain the stable growth of both core businesses, i.e. our own-branded cow and goat milk formula businesses, and strive for the continuous and rapid growth of Kabrita international and nutrition businesses as the second growth curve. We will also continue to expand and strengthen core operations and brands according to our strategic road maps, establish our core competitive advantages by unleashing the strength of our complete nutrition product industry chain and developing our signature bacterial strains, and achieve sales breakthroughs in core markets such as the US, Canada and the Middle East and step up the expansion into the Indian market by upholding our globalised marketing strategy;

2) We will stay strategically focused and ramp up business evolution. According to the industry and competitive landscape and on the basis of maintaining our established strategic direction, we will optimise the core initiatives of our five-year strategic plan to effectively build our core competence. Meanwhile, we will push for marketing digitalisation, promote business management refinement through integration of digitalisation into business operation, enhance the efficiency of marketing to members and cost usage, and comprehensively enhance operational cost control and profitability;

3) We will strive for growth by way of innovation. As the target consumer group gradually shrinks, one of our key tasks is to attract a new batch of consumers. Going forward, we must make further efforts in capturing market trends, closely monitor market dynamics and outrun our peers with great determination and meticulousness by thoroughly understanding the market and analysing our competitors. We will integrate Ausnutria's global R&D system, step up our investment in innovation and R&D, reinforce the protection of intellectual properties, efficiently utilise all sorts of resources, promote industry collaborations and enhance the overall competitiveness of the industry chain through technological innovations;

4) We will take good care of, and share our growth with, our employees, who are the most precious asset and wealth of an enterprise. Therefore, we will remain people-oriented, maintain good working environments and development platforms for our staff, share the fruit of our corporate growth with them, and make everyone proud to be a member of Ausnutria; and

5) Ausnutria has just embarked on the journey of dedicating itself to the cause of human nutrition, and the challenges ahead of us are manifold. To surmount these challenges, let us embrace science and technology and the new era with an open heart by learning to live in harmony with artificial intelligence. Using innovation as the key, we shall open the door to the castle of the future.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to sincerely thank our customers, partners, shareholders, governments and the society for their continued support and help. I am also grateful for the contributions and dedication of the Board, the senior management and the entire staff in the Year 2024.

In 2025, we will continue with our efforts and dedication to reach new heights.

HAN Shixiu
Chairman

INDUSTRY OVERVIEW

The IMF industry in the PRC faced new challenges and opportunities in 2024 after years of market fluctuations. Although the birthrate in the PRC has been on the decline and has posed challenges to the IMF industry in recent years, the market environment improved gradually with the gradual rollout of products under the New GB and the continual consolidation of the industry. According to the data of NielsenIQ, the rate of the fall in IMF sales in the PRC market has narrowed to mid-single digit in 2024, showing an improvement over the double-digit YoY decline in 2023.

In 2024, the PRC ushered in the year of the dragon, which represents prosperity in the Chinese culture and therefore boosted the birthrate. According to the statistics from the National Bureau of Statistics of China, the number of newborns in the PRC in 2024 rebounded to 9.54 million, demonstrating an increase of 3.7% as compared with 2023. Such population increase provided the IMF industry with a growth opportunity and acted as a strong stimulant for the industry.

The market also witnessed several structural changes in recent years: 1) The types of products expanded. With the increasingly diversified nutritional needs of consumers, toddler and adult milk powders have gradually become the new growth engines in the market. In addition, goat milk powder grew at a higher rate as compared with traditional cow milk powder and their market share continued to increase. Being easily digestible and hypoallergenic, goat milk powder captured more and more consumers, especially in the high-end market, in which the performance of goat milk powder is particularly outstanding; 2) E-commerce continued to flourish. In terms of channels, the e-commerce channels in the IMF market grew at a much higher rate than that of the traditional offline channels, and the share of the e-commerce market continued to increase. This trend reflected changes in the shopping habits of consumers, especially young parents, for whom online shopping has become the mainstream. As a result, a lot of IMF brands increased their investment in e-commerce channels to capture this fast-growing market; and 3) Emerging IMF markets were booming. On the international front, the IMF markets in the Middle East, India, South America and Africa showed a booming trend with a much higher growth rate as compared with that of the PRC market. With rapid population growth and increasing economic prosperity in these regions, there has been growing consumer demand for high-quality IMF. These emerging markets undoubtedly offered enormous room for growth to the PRC's IMF enterprises. These changes will also provide new growth opportunities for our future development.

FINANCIAL REVIEW

Analysis on Consolidated Statement of Profit or Loss

Revenue

					Proportion to total revenue	
		2024	2023	Change	2024	2023
	Notes	RMB'M	RMB'M	%	%	%
Own-branded formula milk powder products:						
Cow milk (in the PRC)	(i)	2,106.6	2,562.3	(17.8)	28.5	34.7
Goat milk (in the PRC)	(i)	3,052.6	2,898.5	5.3	41.2	39.3
Goat milk (elsewhere)	(i)	646.6	384.5	68.2	8.7	5.2
Goat milk total		3,699.2	3,283.0	12.7	49.9	44.5
		5,805.8	5,845.3	(0.7)	78.4	79.2
Others	(ii)	1,292.0	1,252.2	3.2	17.5	16.9
Nutrition products	(iii)	304.6	284.5	7.1	4.1	3.9
Total		7,402.4	7,382.0	0.3	100.0	100.0

Notes:

(i) Representing the sales of Own-Branded Cow Milk Formulas in the PRC and Kabrita in the PRC, Europe, the Commonwealth of Independent States ("**CIS**"), the US, Canada, the Middle East, South Korea, South Africa, Mexico, etc.

(ii) Representing the sales of formula milk powder products (including IMF) under the customers' own brands as well as milk, milk powder, cheese, cream and other milk derived ingredients such as whey protein powder, etc.

(iii) Representing the sales of nutrition products in the PRC and Australia.

The Group recorded revenue of RMB7,402.4 million for the Year 2024, representing an increase of RMB20.4 million, or 0.3%, from RMB7,382.0 million for the year ended 31 December 2023 (the "**Year 2023**"). The increase in revenue was mainly due to the significant surge in the performance of Kabrita overseas and recovery of Kabrita in the PRC.

Own-branded Goat Milk Formulas (Kabrita)

For the Year 2024, sales of the Own-branded Goat Milk Formulas amounted to RMB3,699.2 million, representing a YoY increase of RMB416.2 million or 12.7% and accounted for 49.9% (2023: 44.5%) of the Group's total revenue. Sales in the PRC and overseas markets amounted to RMB3,052.6 million and RMB646.6 million, respectively (2023: RMB2,898.5 million and RMB384.5 million, respectively), representing YoY increases of RMB154.1 million and RMB262.1 million, respectively. The Group's products continued to maintain their leadership positions in the goat milk powder market. Both NielsenIQ and Frost & Sullivan affirmed that the market share of Kabrita in goat milk powder for infants and toddlers imported into the PRC exceeded 60% for six consecutive years and that Kabrita continued to be the top-seller in the goat milk powder market globally in terms of quantity and value. Kabrita is mainly manufactured in the Netherlands and sold worldwide.

In the Year 2024, with respect to the Own-branded Goat Milk Formulas:

(a) Kabrita recorded a YoY increase of 5.3% in sales and achieved groundbreaking progress in several aspects, such as new product launches, brand building and channel development, in the PRC market in 2024, thereby further consolidating its leading position as the number one goat milk powder brand across the globe.

In terms of new product launch, Kabrita continued its efforts in product innovation and swiftly rolled out a number of new products, thus expanding its product mix. In the IMF field, the Company proudly launched key new products, namely Glossom (晶綻) (an organic formula with comprehensive nutrients), Jingcuiyuebai (晶萃悅白) (a formula that strengthens both absorption and protection), Yueqi (悅啟) (a formula that strengthens both absorption and intelligence) and Bojingyuebai (鉑晶悅白) (a formula that alleviates allergies among babies), in 2024 to cater to the diversified feeding needs of consumers. Furthermore, Kabrita also introduced Beibeigao (貝貝高) and Beibigao (貝比高) (two formulas that focus on toddlers' body growth), Xiangyang Beihu (向揚倍護) (a formula that cares for the immune system of school-aged children), Yingjia Shutang (營嘉疏糖) (a formula that cares for the blood sugar level of middle-aged and older people) and several other product series, thereby satisfying nutritional needs throughout the life cycle spanning from baby, child, adult and elderly stages. Capitalising on its diversified product portfolio, Kabrita successfully achieved multi-dimensional coverage and enhanced its brand competitiveness in the market.

In terms of brand building, Kabrita continued to reinforce the mindset of "Goat Milk, Your First Choice" among consumers through multi-dimensional marketing strategies. Through product placement in trending drama series as well as sophisticated operation on Douyin, Xiaohongshu and other platforms, the brand had extensive exposure, earned the endorsement of over 40 experts from Grade-A tertiary hospitals and received favourable comments from over 1,300 streamers in the maternity field. The premium value of Kabrita for being easily absorbed and having better nutrition was attested in multiple ways, such as expert ratings, popularity and word-of-mouth. According to the 2024 White Paper on Infant Formula Feeding among the New Generation of Mothers (《2024新生代媽媽奶粉餵養白皮書》) and the Illustrated Handbook: 2025 Infant Formula Feeding Trends (《人類幼崽餵養圖鑒：2025嬰配粉餵養趨勢報告》) published jointly by Kabrita, Babytree.com and Xiaohongshu, the industry trends of "growing popularity of goat milk powders and the rise of goat milk powders as the first choice in the segment" were verified, and the leadership position of Kabrita in the goat milk powder industry was also affirmed by the "recommendations of 99% of its members", the "testimonials from over 10,000 mothers to their feeding results" and the "examination and endorsement by over 400 medical and nutritional experts". These developments have not only ensured that Kabrita stands out from the fierce competition in the market but also laid a solid foundation for its continuous growth in the future.

In terms of channel building, adhering to the "horizontal + vertical" channel growth strategy, Kabrita continued to boost the potential and capability of its channels through diverse measures such as enhancing the performance of key channels, optimising channel profit chain and improving product channel layout and operation, thereby further consolidating its market competitiveness. In 2024, Kabrita achieved full coverage of key provincial capitals and prefecture-level markets and significantly increased the contribution of direct-supply customers in terms of sales volume. In addition, through the "Thousands Counties and Townships (千縣萬鎮)" campaign, Kabrita improved channel penetration, completed inspection and acceptance in more than 200 county seats, and achieved a double-digit YoY growth in sales.

(b) Sales of Kabrita in overseas markets (including the US, the Middle East, the CIS, Europe, Mexico, South Korea and Vietnam, etc.) for 2024 continued to impress and amounted to RMB646.6 million, representing a YoY increase of RMB262.1 million or 68.2%, also representing a further increase to 17.5% of the total revenue of the Own-branded Goat Milk Formula business. Such significant increase in revenue from overseas markets was mainly attributable to the facts that:

1) Stage 1 of Kabrita's IMF officially passed the review by the US FDA in July 2023 and was officially launched in the US market in January 2024. Drawing on the status as the first European IMF registered by the US FDA and the successful experience in the PRC and other overseas markets, the sales team for the US market proactively promoted precise marketing strategies for online sales channels while continuously expanding the coverage across offline channels. During the year, this product has also been named the "Best Goat Milk Baby Formula Product" in the US. It also became one of the monthly best-selling items in the infant formula goat milk powder category on Amazon US. As more and more medical professionals and professional bodies (such as the American Academy of Pediatrics) in the US recognise that goat milk formulas are the best alternatives to cow milk formulas, the Group believes that goat milk formulas will be increasingly accepted by that market in the future.

2) Stable growth in the Middle East market, which is the principal market of the Group's overseas Own-branded Goat Milk Formula business, continued throughout 2024 and further cemented the strategic position of the business. In particular, the rapidly rising market acceptance and penetration of goat milk formulas strengthened the knowledge and demand of the consumers in Saudi Arabia and boosted sales growth in that region. In addition, an effective medical sales team has been successful in securing new customers and providing further stimulus to sales growth through professional marketing and education. Looking forward, the Group will fully capitalise on its unique edge in upstream production operations and launch a number of goat cheese and other related products in the Middle East so as to broaden its product mix in the region and meet varied consumer needs. In the future, the Group will continue to foster the Middle East market, strive to establish a comprehensive goat milk product portfolio, and further enhance its market scale, brand influence and market share in the region through innovative products and marketing strategies with the aim of laying a solid foundation for the long term development of its overseas business.

3) The CIS region, being an important market developed by the Group over the years, exhibited strong growth and resilience with a high double-digit growth in 2024 notwithstanding the complicated and ever-changing external environment and market challenges. Such impressive results were not only brought by the fact that the business development was boosted by the traditionally higher acceptance and popularity of goat milk products among the consumers in the region, but also driven by the successful rollout and market penetration of several other non-IMF products covering a diversified product mix, including snacks and cereals, which effectively satisfied the diverse needs of local consumers and thus further boosted the overall sales performance in the region.

With the aims of attaining its future development goals and building a reliable moat around the goat milk industry chain, the Group completed the acquisition of the remaining 50% shares in Amalthea Group B.V. (a goat cheese company in the Netherlands) in October 2024. This transaction will not only support Kabrita in achieving self-sufficiency in terms of the core ingredients of its goat milk formula products and reinforcing its absolute competitive strength in the goat milk industry chain, but will also help to supplement the Group's product portfolio with cheese products and lay the foundation for the rapid and sustainable development of the Group's overseas business in the future.

Moving forward, Kabrita will continue to adhere to its existing dual brand and channel development strategy to meet the needs of consumers and channels by providing professional products and services and will continue to expand its leading position as the world's number one goat milk brand by stepping up development at home and abroad for better synergy and complementarity.

Own-branded Cow Milk Formulas (Hyproca)

For the Year 2024, revenue from the Own-branded Cow Milk Formulas amounted to RMB2,106.6 million, representing a YoY decrease of RMB455.7 million or 17.8% and accounted for 28.5% (Year 2023: 34.7%) of the Group's total revenue. Sales dropped mainly due to the fact that the overall market shrank as the whole IMF industry was affected by the falling birth rate and market demand. Furthermore, the approvals of certain products of the Own-branded Cow Milk Formula under the New GB were behind schedule. The sales performance was also negatively affected to a certain extent by short-term and temporary problems, such as market adaption, resulting from the transition of products from the old national standards to the New GB. To stabilise market prices and ensure long-term sustainability, the Group implemented stringent channel management and control measures. While putting pressure on sales performance in the short term, such measures will help to maintain brand equity and market order and thus ensure sustainable growth in the long run.

In terms of channel building, the Group achieved "two-pronged" growth in brand reputation and sales conversion through a high degree of integration between online and offline marketing. In terms of online marketing, it enhanced its brand power and obtained new customers by carrying out product placement in 14 trending drama series, empowering key customers in the Honour-win Maternal and Infant Alliance (荷天下母嬰聯盟) through advertisement in business districts, and investing in innovative internet advertisements. It also gradually increased the share of e-commerce business by refining the e-commerce operation model, optimising its product portfolio, recruiting high-calibre talent in the industry and perfecting the operation of directly-managed stores and the membership programme. In terms of offline marketing, the Group secured new customers and increased retail sales with offline activities such as thousands of contextual marketing events, nutritional education and the Super Brand Day (超級品牌日). Prices have gradually stabilised through optimising the profit chains, improving the investment model, carrying out digital upgrade and implementing order and quota management. The Group also improved the loyalty of its core customers, its coverage in key markets and the operation of its stores by refining its product mix and layout while upgrading to the New GB.

The Group considers brand building as its core growth engine and strengthens its brand influence through all-round measures such as upgrading its brand strategies, securing authoritative endorsements for its products and integrating its marketing efforts. In terms of brand strategies, Hyproca exploited its selling point of having comprehensive nutrients and developed its brand philosophy of offering "5 types of comprehensive and premium nutrients for immune system and growth". It also strengthened the premium image of its brand through its source tracking activities to the Netherlands. In terms of authoritative endorsements, Hyproca launched an infant feeding research programme together with the Peking University Health Science Center to support the growth of Chinese infants in a scientific way. In terms of integrating marketing efforts, it further strengthened the market influence of its brand by enhancing the brand's exposure through the drama series Joy of Life (《慶餘年》) and conducting several cross-marketing events with intellectual properties such as KEEP, the Paris Olympics and Super Wings.

In terms of new products, the Group continued to enforce its product innovation strategy and rolled out 8 new and upgraded products, including namely Hyproca Huanzhi (歡致), the new Hyproca Hyeaze (新喜致), Hyproca Hypure (荷淳), the new Hyproca Neolac (新悠藍), the Jade version of Hyproca Hollory (荷致翡翠), Furui (賦睿), Binzhi (繽致) and Nutrition Star Chaoyu (營養星球超御配方), in order to forge a diversified product mix, meet varied nutritional needs of the self-defense ability, immune system, gut absorption and intelligence of infants and toddlers, and broaden the Group's product portfolio.

Nutrition Business

For the Year 2024, revenue derived from nutrition business amounted to RMB304.6 million, representing a YoY increase of RMB20.1 million or 7.1%. The results for the second half of the year rebounded, mainly thanks to the speedy streamlining and adjustment of the core operations, the breakthrough in the in-depth co-operation with core customers, as well as the steady business growth achieved by Bioflag. At the same time, NC Aunulife also contributed to the overall growth of the business by realising significant boost in their online operations, particularly the direct sale and distribution segments. The rapid growth of the direct sale e-commerce operation and the expansion of the distribution channels were the major new growth engines of NC Aunulife.

In 2024, the nutrition business made significant achievements in product innovation and expanded new dimensions of product collaborations by actively exploring and implementing customised product chains for top streamers. In the Xinxuan project, three customised products stood out from the rest in their categories on major e-commerce platforms, leading the market trend with outstanding strength. These new products not only satisfy consumers' requirements for personalised and high-quality nutritional products, but also further enhance the brand's market competitiveness through an innovative cooperation model.

In terms of channel building, Bioflag realised a growth in the pharmaceutical business and formed in-depth strategic cooperation with its core customers, thus further securing its edges in traditional channels. Based on its established foothold on TikTok's global shopping platform, NC Aunulife implemented a differentiated layout on a similar channel, Kuaishou. It engaged in in-depth cooperation with top streamers, including Brother Yang on Douyin and those at Xinxuan on Kuaishou, and carried out an in-depth collaboration of tailor-made products aiming to demonstrate NC's brand power. In addition, the cooperation of NC Aunulife with Sam's Club and other distribution channels also attained steady growth. For the offline segment, through the Yiqichuang (益起創) project, Aunulife registered remarkable results on retailing channels for mother and baby products such as Baby Elephant, Yoka and Dengkang (登康), further increasing the penetration rate in the offline market.

In terms of brand building, the nutrition business built a brand mix in 2024 under the parent brand of NC comprising NC, NC Kids and NC Aunulife. Resources have been allocated to six core products under the portfolio, which comprehensively covers consumer groups of all ages and meticulously addresses the needs throughout the life cycle and under diversified conditions, thus creating an all-round and high-quality brand ecosystem.

Gross profit and gross profit margin

	Gross profit		Gross profit margin	
	2024 RMB'M	2023 RMB'M	2024 %	2023 %
Own-branded formula milk powder products:				
Cow milk	1,096.0	1,379.9	52.0	53.9
Goat milk	2,010.4	1,611.2	54.3	49.1
	3,106.4	2,991.1	53.5	51.2
Others	(17.7)	27.3	(1.4)	2.2
Dairy and related products	3,088.7	3,018.4	43.5	42.5
Nutrition products	130.0	107.6	42.7	37.8
	3,218.7	3,126.0	43.5	42.3
Less: write-down of inventories to net realisable value	(110.8)	(273.4)		
Total	3,107.9	2,852.6	42.0	38.6

The Group's gross profit for the Year 2024 was RMB3,107.9 million, representing a YoY increase of RMB255.3 million, or 8.9%. The increase in the gross profit margin of the Group from 38.6% for the Year 2023 to 42.0% for the Year 2024 was primarily due to the aggregate effect of the (i) improvement in productivity as a result of the decrease in sales discount for the Group's own-branded IMF powder products and the shift in product mix towards high-margin products with higher revenue contribution; and (ii) ongoing optimisation of the supply chain, thus enhancing product freshness and resulting in less inventory provision during the year.

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 28.1% (Year 2023: 25.8%) of the Group's revenue. The increase in the selling and distribution expenses to revenue ratio was mainly due to the investment of advertising activities were carried out for the year to advertise and promote the New GB products of the Group to achieve long-term developments.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling expenses, office expenses, auditor's remuneration, professional fees and depreciation. The administration expense for the Year 2024 was stable compared to last year.

Other income, other gains/(losses) – net

	Notes	2024 RMB'M	2023 RMB'M
Other income			
Government grants	(i)	43.7	80.4
Interest income	(ii)	37.4	35.7
Rental income		9.8	4.5
		90.9	120.6
Other gains/(losses) – net			
Restructuring costs		(7.9)	(38.9)
Foreign exchange losses, net	(iii)	(6.0)	(23.2)
Charitable donations	(iv)	(2.6)	(6.4)
Others		(21.9)	(39.0)
		(38.4)	(107.5)

Notes:

(i) The amount mainly represented subsidies received from the government in Mainland China for the contribution made by Ausnutria Dairy (China) Co., Ltd. in the Hunan province, the PRC.

(ii) The amount mainly represented the interest income derived from the bank deposits that were placed with banks in the PRC.

(iii) The amount represented net foreign currency exchange gains or losses arising from the foreign currency transactions, mainly between EUR, US$, AED 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 year.

(iv) The amount was mainly for charitable activities.

Finance costs

The finance costs of the Group for the Year 2024 amounted to RMB51.6 million (Year 2023: RMB57.7 million), representing mainly the interests on bank borrowings for financing of the upstream capital expenditures of the Group, particularly a new IMF factory in the Netherlands.

The decrease in finance costs was mainly due to the decrease of bank borrowings. As at 31 December 2024, 100% (31 December 2023: 95.8%) of the Group's bank borrowings were denominated in EUR.

Share of profits and losses of investments accounted for using the equity method

The amount mainly represented share of losses of Farmel Holding B.V. and its subsidiaries (the "**Farmel Group**") of RMB22.3 million (Year 2023: share of losses of RMB18.9 million) and profits of Amalthea Group B.V. and its subsidiaries of RMB2.3 million for the Year 2024 (Year 2023: share of profits of RMB2.5 million), which included the profit from valuation appreciation of the initial 50% share, once Amalthea Group B.V. became a wholly owned subsidiary in October 2024. 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. Amalthea Group B.V. is principally engaged in the exploitation of cheese factory and the trading of goat cheese and related products.

Income tax expenses

The effective income tax rate of the Group increased from 16.3% for the Year 2023 to 20.9% for the Year 2024. The increase in effective income tax rate by 4.6 percentage points was mainly due to the increase of non-deductible expenses and the impact of Pillar Two rules, which have come into effect in the Netherlands since 1 January 2024 in current period comparing with prior year.

Profit attributable to the equity holders of the Company

The Group's profit attributable to the equity holders of the Company for the Year 2024 amounted to RMB236.0 million, representing an increase of RMB61.6 million, or 35.3% when compared with the Year 2023.

The increase was mainly attributable to (i) the strong performance of Kabrita overseas and recovery of Kabrita in the PRC; and (ii) the improvement of global supply chain, resulting in less inventory provisions being recorded during the year.

Analysis on Consolidated Statement of Financial Position

As at 31 December 2024, the total assets and net asset value of the Group amounted to RMB9,662.1 million (2023: RMB10,033.8 million) and RMB5,783.5 million (2023: RMB5,749.2 million), respectively.

The decrease in total assets of the Group as at 31 December 2024 was mainly attributable to the net effect of:

(i) the decrease in cash and cash equivalents of RMB822.9 million, mainly for repaying bank borrowings, dividends payments, acquiring the remaining 50% interests of Amalthea Group B.V. and other investment activities during the year;

(ii) the increase of time deposits and long-term time deposits, with original maturity over one year of RMB389.4 million in order to increase interest income; and

(iii) the increase of property, plant and equipment of RMB126.0 million mainly arising from the additions of construction in progress for the building of the new IMF factory in the Netherlands.

The increase in net assets of the Group as at 31 December 2024 was mainly a result of the net effect of the (i) net profit generated for the Year 2024 of RMB247.2 million (Year 2023: RMB168.9 million); (ii) depreciation of the EUR against RMB which contributed to a decrease on translation of foreign operation of RMB115.4 million; and (iii) payment of final dividend of RMB80.6 million during the Year 2024.

Working Capital Cycle

As at 31 December 2024, the current assets to current liabilities ratio of the Group was 1.21 times (2023: 1.24 times).

An analysis of key working capital cycle is as follows:

	2024 Number of days	2023 Number of days	Change Number of days
Inventories turnover days	171	174	(3)
Debtors' turnover days	32	31	1
Creditors' turnover days	45	43	2

The decrease in turnover days of the Group's inventories was mainly due to the continuous improvement in production planning and logistics lead time in the global supply chain.

The increase in turnover days of the Group's trade receivables was mainly due to the proportionate increase in sales from the Group's overseas markets which have comparatively longer credit terms than those in the PRC.

Analysis on Consolidated Statement of Cash Flows

	2024 RMB'M	2023 RMB'M
Net cash flows from operating activities	299.4	224.7
Net cash flows used in investing activities	(899.2)	(740.9)
Net cash flows (used in)/from financing activities	(273.6)	682.4
Net (decrease)/increase in cash and cash equivalents	(873.4)	166.2

Net cash flows from operating activities

The net cash flows from operating activities of the Group for the Year 2024 amounted to RMB299.4 million (Year 2023: net cash flows of RMB224.7 million from operating activities). The increase in cash flows from operating activities was mainly attributable to the operation profits.

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group for the Year 2024 of RMB899.2 million (Year 2023: RMB740.9 million) mainly represented the net effect of (i) the purchases of property, plant and equipment of RMB347.3 million (Year 2023: RMB610.0 million) mainly for the building of the new IMF factory and other related facilities in the Netherlands; (ii) net cash payment from the acquisition of the 50% issued shares in the joint venture, Amalthea Group B.V., amounted to approximately RMB165.4 million; and (iii) net procurement for time deposits with maturity more than 3 months with total amount of RMB381.1 million.

Net cash flows from financing activities

The net cash flows used in financing activities of the Group for the Year 2024 of RMB273.6 million (Year 2023: The net cash flows of RMB682.4 million from financing activities) was primarily attributed to the net effect of (i) dividends paid during the year of RMB80.6 million (Year 2023: RMB98.5 million); and (ii) the net repayment of bank borrowings and lease payments of a total of RMB172.1 million (Year 2023: net drawdown of RMB743.9 million).

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

Bioflag Acquisition and Bioflag Subscription

On 19 January 2024, the Company (through its wholly-owned subsidiary, as the purchaser), Yuanta Asia Growth Investment L.P. and Yuanta Venture Capital Co., Ltd. (as the vendors) entered into share purchase agreements to acquire approximately 7.70% of the then issued shares of Bioflag at a total consideration of US$4,007,690.40 in cash (the "**Bioflag Acquisition**"). On the same date, Bioflag and Hongkong Jingang Trade Holding Co., Limited ("**Jingang Trade**") (a wholly and beneficially owned company of Yili Industrial) entered into a share subscription agreement, pursuant to which Jingang Trade conditionally agreed to subscribe for, and Bioflag has conditionally agreed to allot and issue, 1,796,326 new shares of Bioflag at the consideration of US$1,904,105.56 (i.e. an issue price of US$1.06 per share) (the "**Bioflag Subscription**"). Upon completion of the Bioflag Subscription and the Bioflag Acquisition, the equity interest of the Group in Bioflag will be increased from approximately 82.04% to approximately 86.57%. Further details of the Bioflag Subscription and the Bioflag Acquisition are set out in the announcement of the Company dated 19 January 2024.

The Bioflag Subscription was completed on 29 April 2024 and the Bioflag Acquisition was completed on 26 July 2024.

Acquisition in Amalthea Group

On 4 July 2024, Ausnutria B.V., a wholly-owned subsidiary of the Company (as the "**Purchaser**") and Dairy Goat Holding B.V. ("**DGH**", the legal successor of Dairy Goat Holland B.V., as the "**Vendor**") entered into an implementation agreement, pursuant to which the exercise of the put option shall be implemented according to the shareholder's agreement between Ausnutria B.V. and Amalthea Group B.V. dated 21 October 2022, and Ausnutria B.V. will purchase the remaining shares in Amalthea Group B.V. held by DGH at the put option purchase price of approximately EUR22.5 million. The remaining shares represent 50.0% of the issued share capital of Amalthea Group B.V. held by DGH. Further details regarding the acquisition are set out in the announcements of the Company dated 21 October 2022 and 4 July 2024.

The above acquisition was completed on 18 October 2024 and Amalthea Group B.V. became a wholly-owned subsidiary of the Company thereafter.

Acquisition in Dairy Protein Cooperation

On 27 September 2024, Ausnutria B.V., a wholly-owned subsidiary of the Company (as the purchaser) and Centurion Food B.V. ("**Centurion Food**") entered into a share purchase agreement in relation to the acquisition of the remaining shares in Dairy Protein Cooperation Food B.V. ("**Dairy Protein Cooperation**") at a cash consideration of EUR1.0. The remaining shares acquired represent 50.0% of the issued share capital of Dairy Protein Cooperation held by Centurion Food. On the completion date, Ausnutria B.V. shall also repay to Centurion Food the outstanding principal amount of a shareholder's loan of EUR2.0 million and any outstanding interest for and on behalf of Dairy Protein Cooperation. Further details regarding the acquisition are set out in the announcement of the Company dated 24 September 2024.

The above acquisition was completed on 18 October 2024 and Dairy Protein Cooperation became a wholly-owned subsidiary of the Company thereafter.

Save as disclosed above and elsewhere in this report, the Company did not make or hold any significant investments (including any investment in an investee company representing 5% or more of the Company's total assets as at 31 December 2024) during the Year 2024 and there were no other material acquisitions or disposals of subsidiaries, joint ventures or associated companies during the Year 2024 and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as otherwise disclosed in this report, the Company did not have other plans for material investments or purchase of capital assets.

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 AND LIQUIDITY

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

	As at 31 December	
	2024	2023
	RMB'M	RMB'M
Bank borrowings	(2,137.7)	(2,378.0)
Add: Lease liabilities	(114.7)	(37.6)
Less: Restricted cash (1)	9.3	5.7
Time deposits (2)	206.2	–
Long-term time deposits, with original maturity over one year (2)	224.1	40.9
Cash and cash equivalents (2)	1,214.7	2,037.6
Net debt	(598.1)	(331.4)
Total assets	9,662.1	10,033.8
Shareholders' equity	5,721.6	5,693.5
Gearing ratio (3)	6.2%	3.3%
Solvency ratio (4)	59.2%	56.7%

Notes:

(1) An analysis of restricted cash by currency is set out below:

	2024		2023	
Currency	RMB'M	%	RMB'M	%
RMB	8.3	89.3	3.9	68.4
Others	1.0	10.7	1.8	31.6
Total	9.3	100.0	5.7	100.0

(2) An analysis of time deposits, long-term time deposits and cash and cash equivalents by currency is set out below:

	2024		2023	
	RMB'M	%	RMB'M	%
RMB	1,361.1	82.7	1,670.0	80.3
US$	123.8	7.5	16.8	0.8
EUR	65.1	4.0	181.6	8.7
HK$	37.1	2.3	46.3	2.2
Others	57.9	3.5	163.8	8.0
Total	1,645.0	100.0	2,078.5	100.0

(3) Calculated as a percentage of net bank borrowings and lease liabilities over total assets.

(4) 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 IMF factory and other related facilities in the Netherlands and the expansion into the nutrition business segment.

Following the continued corporate guarantee executed by the ultimate shareholder (namely, Yili Industrial), the Group has renewed the facilities from main cooperating banks with more favourable terms during the Year 2024. As at 31 December 2024, the Group had outstanding bank borrowings of RMB2,137.7 million (31 December 2023: RMB2,378.0 million), all of which was due within one year (31 December 2023: same).

An analysis of the Group's outstanding bank borrowings by currency is set out below:

	2024		2023	
Currency	RMB'M	%	RMB'M	%
EUR	2,137.7	100.0	2,278.0	95.8
Others	–	–	100.0	4.2
Total	2,137.7	100.0	2,378.0	100.0

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC, the Netherlands, and Australia. During the Year 2024, 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**") or Taiwan dollars ("**TWD**") and RMB is the Group's presentation currency. Besides, most of the bank deposits and bank borrowings of the Group are denominated in RMB, EUR and AUD, respectively. The Group is exposed to potential foreign exchange risk as a result of the fluctuation of HK$, EUR, US$, AUD or TWD against RMB.

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 bank borrowings with a floating interest rate. As at 31 December 2024, the Group did not have any outstanding interest rate swap contract and will consider and enter into interest rate swap or cap contract to mitigate the risk of floating interest rate if necessary.

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 2024, the Group had contracted, but not provided for, capital commitments mainly in respect of purchase of land and buildings, plant and machinery, and other intangible assets of a total of RMB111.4 million (2023: RMB198.8 million).

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: Nil).

HUMAN RESOURCES

Number of full-time employees	Mainland China	Hong Kong	The Netherlands	Australia	Others	Total
31 December 2024	2,345	8	676	87	172	3,288
31 December 2023	2,631	10	761	83	135	3,620

As at 31 December 2024, the male to female ratio in the workforce of the Group including senior management was approximately 47:53 (2023: 47:53). The Group will continuously keep the right mix of people to work together and the gender diversity at all levels of the Group for better collaboration.

For the Year 2024, total employee costs, including Directors' emoluments, amounted to RMB1,366.0 million (Year 2023: RMB1,362.7 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

The Group provides a defined contribution mandatory provident fund for retirement benefits of its employees in Hong Kong and various plans in either defined benefit or defined contribution arrangements for the retirement benefits of its employees in the Netherlands and Australia. The Group also provides various welfare schemes as required by the applicable local laws and regulations to its employees in the PRC and other countries.

USE OF PROCEEDS FROM YILI SUBSCRIPTION

Yili Industrial, through its wholly and beneficially owned company, Jingang Trade, subscribed for an aggregate of 90,000,000 new Shares at a subscription price of HK$10.06 per subscription share and a net price of HK$10.05 per subscription share after deducting related expenses (the "**Yili Subscription**"). The gross and net proceeds raised from the Yili Subscription which was completed on 28 January 2022 amounted to approximately HK$905.4 million and HK$905.0 million, respectively. As at the date of this report, the utilisation of the net proceeds from the Yili Subscription is set out below:

	Net proceeds from the Yili Subscription HK$'M	Utilised amount as at 1 January 2024 HK$'M	Unutilised amount as at 1 January 2024 HK$'M	Utilised amount during the year HK$'M	Unutilised balance as at the date of this report HK$'M
Expansion of the Company's upstream production facilities	271.5	(271.5)	–	–	–
Acquisition of nutrition-related business	271.5	(271.5)	–	–	–
Enhance the Group's processing and logistics capabilities in the PRC	181.0	(174.8)	16.6	(16.6)	–
Investment in the Group's brand building related activities	90.5	(90.5)	–	–	–
General working capital:					
(a) Repayment of bank borrowings in Hong Kong and the Netherlands	45.2	(45.2)	–	–	–
(b) Working capital	45.3	(45.3)	–	–	–
General working capital total	90.5	(90.5)	–	–	–
Total	905.0	(898.8)	16.6	(16.6)	–

The Directors are pleased to present the corporate governance report (the "**CG Report**") for the Year 2024.

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 of the Company (the "**Shareholders**"), enhance corporate value and accountability, and improve the Group's performance.

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance practices. The Board also strives to implement the best practices embodied in the CG Code whenever feasible and as far as practicable.

Save for the deviation for reasons set out below, during the Year 2024, in the opinion of the Board, the Company has applied the principles of good corporate governance and has complied with the respective code provisions of the CG Code. 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.

Mr. Song Kungang ("**Mr. Song**") has resigned as an independent non-executive Director ("**INED**"), the chairman and member of the remuneration committee (the "**Remuneration Committee**"), member of the audit committee (the "**Audit Committee**") and member of the nomination committee (the "**Nomination Committee**") of the Company with effect from 30 July 2024 to devote more time to his other business engagements. According to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three INEDs and the number of INEDs should represent at least one-third of the Board. Following the resignation of Mr. Song, the Company has only two INEDs, thus the number of INEDs falls below the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. As a result of the insufficient number of INEDs, the Company failed to comply with the requirements set out in Rule 3.21 of the Listing Rules in relation to the minimum number of members and composition of the Audit Committee. The Company also failed to meet the requirements under Rule 3.25 and Rule 3.27A of the Listing Rules in relation to the composition of the Remuneration Committee and the Nomination Committee. Following the appointment of Mr. Chen Fuquan as an INED on 25 September 2024, the Company has re-complied with all the aforementioned requirements under the Listing Rules.

MODEL CODE FOR TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix C3 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the Year 2024 and up to the date of this report.

The Group has a written guideline "Employees' Code of Dealing the Securities of the Company" for its senior management and employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code and the Guidelines on Disclosure of Inside Information of the Securities and Futures Ordinance (the "**SFO**"). This guideline provides a general guide and standards for the Company's senior management, officers and relevant employees in dealing in the securities of the Company.

THE BOARD

Board Composition

The Board currently comprises nine members, including three executive Directors (the "**EDs**"), three non-executive Directors (the "**NEDs**") and three INEDs. Save for Mr. Han Shixiu, Ms. Yan Junrong and Mr. Zou Ying who are working in Yili Industrial, a substantial Shareholder, the Board members have no financial, business, family or other material/relevant relationships with each other. The Board's composition is formed to be well balanced to ensure that strong independence exists across the Board, with diversity in skills, expertise, experience and qualifications concerning the Directors. The biographies of the Directors, including the relationship between the members, if any, are set out in the section headed "Management Profiles" on pages 54 to 56 of this report.

The Board is dedicated to making decisions objectively in the best interests of the Group. Each Director has a wide spectrum of valuable business experience, knowledge and professionalism, which enables the Board to be efficient and effective.

For the Year 2024 and up to the date of this report, the Board comprises the following members and each of their roles are as follows:

	Board Committee		
	Audit Committee	Nomination Committee	Remuneration Committee
Director			
Executive Directors:			
Mr. Ren Zhijian (Chief Executive Officer)	/	/	Member
Mr. Bartle van der Meer	/	/	/
Mr. Zhang Zhi	/	/	/
Non-executive Directors:			
Mr. Han Shixiu (Chairman) (appointed on 25 September 2024)	/	Chairman	Member
Ms. Yan Junrong	/	/	/
Mr. Zou Ying (appointed on 25 September 2024)	/	Member	/
Mr. Zhang Zhanqiang (resigned on 25 September 2024)	/	/	/
Mr. Sun Donghong (resigned on 25 September 2024)	/	/	/
Independent Non-executive Directors:			
Mr. Ma Ji	Chairman	Member	Member
Mr. Chen Fuquan (appointed on 25 September 2024)	Member	Member	Chairman
Mr. Aidan Maurice Coleman	Member	Member	Member
Mr. Song Kungang (resigned on 30 July 2024)	/	/	/

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Save for the deviation for reasons set out in the previous page, during the Year 2024, the Board met the requirements of the Listing Rules of appointing at least three INEDs representing one-third of the Board pursuant Rule 3.10A of the Listing Rules with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10(2) of the Listing Rules.

During the Year 2024, each of Mr. Han Shixiu, Mr. Zou Ying and Mr. Chen Fuquan, who was appointed as a Director on 25 September 2024, had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 10 September 2024, and each of them had confirmed he understood his obligations as a director of a listed issuer.

Executive Directors

All the EDs have entered into service agreements with the Company for a term of 3 years and are subject to retirement by rotation and re-election at the annual general meeting of the Company (the "**AGM**") in accordance with the provisions of the articles of association of the Company (the "**Articles of Association**"). Their remunerations are determined with reference to each of their experience and contributions to the Group, the Group's performance and profitability, as well as the prevailing market conditions. An ED shall not vote on any Board's resolution regarding the amount of his/her remuneration and/or bonus (if any).

Non-Executive Directors

The NEDs have the same duties of care and skill and fiduciary duties as the EDs. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The NEDs bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation at the Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on the Board committees, all NEDs make various contributions to the effective direction of the Company.

All the NEDs have entered into service agreements with the Company for a term of 2 years and are subject to retirement by rotation and eligible for re-election in accordance with the provisions of the Articles of Association.

Independent Non-Executive Directors

The INEDs have the same duties of care and skill and fiduciary duties as the EDs. They are expressly identified as such in all corporate communications that disclose the names of the Directors.

The INEDs are experienced professionals with expertise in respective areas of the dairy industry and related technical know-how, accounting and finance. With their professional knowledge and experience, the INEDs advise the Company on its operation and management as well as provide independent opinions on the Company's connected transactions and the continuing connected transactions, and participate in various Board committees' meetings. The INEDs also provide adequate checks and balances to protect the interests of the Group and the Shareholders as a whole and to promote the development of the Group. Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has three INEDs of whom Mr. Ma Ji is a member of the Chinese Institute of Certified Public Accountants.

All the INEDs have entered into service agreements with the Company for a term of 2 years and are subject to retirement by rotation and eligible for re-election in accordance with the provisions of the Articles of Association.

Each INED is required to inform the Stock Exchange as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence. No such notification was received during the Year 2024.

The Company has received annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent in accordance with the definition of the Listing Rules for the Year 2024. The chairman of the Board (the "**Chairman**") had a meeting with all the INEDs without the presence of other Directors in the Year 2024 pursuant to code provision C.2.7 of the CG Code.

Chairman of the Board and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Chairman and the chief executive officer of the Company (the "**CEO**") are each held by two individuals to avoid concentrating power on one person. The Chairman is responsible for overseeing and leading the Board, making sure it works effectively, performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The CEO is responsible for managing and executing the Group's overall business directions and corporate operation decisions.

During the Year 2024, the Company segregated the duties of the Chairman and the CEO. Mr. Zhang Zhanqiang was the Chairman who resigned on 25 September 2024, and Mr. Han Shixiu was appointed as the Chairman on the same day. Mr. Ren Zhijian is the CEO.

Directors' Liability Insurance

The Company has subscribed for appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities. The coverage and the sum insured under the policy are reviewed and renewed on an annual basis. The insurance coverage was renewed on 7 January 2025.

Appointment, Re-election and Removal of Directors

The Company has established a formal and transparent procedure for the appointment of the Directors. The Company has adopted the procedures for the Shareholders to propose a person for election as a Director which are available and accessible on the Company's website under the section of "Governance" at www.ausnutria.com.hk.

Article 84 of the Articles of Association provides that all Directors, including the Chairman, are subject to retirement from office at least once every 3 years at each AGM and shall be eligible for re-election. Under Article 83 of the Articles of Association, the office of a Director is liable to be vacated in certain circumstances and the Company may remove any Director by an ordinary resolution at a general meeting as prescribed in Article 83 of the Articles of Association.

The procedures and process of appointment, re-election and removal of the Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's composition, developing and formulating the relevant procedures for nomination and appointment of the Directors, monitoring the appointment and succession planning of the Directors and assessing the independence of the INEDs.

Induction and Continuous Professional Development

All Directors keep abreast of their responsibilities as a Director and of the conduct, business activities and development of the Company. Each newly appointed Director receives a comprehensive, formal and tailored induction on his/her first occasion of appointment to ensure his/her understanding of the business, operations and corporate governance structure of the Company, awareness of a Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. To facilitate the Directors to discharge their responsibilities, the Directors are updated from time to time on the latest legislative and regulatory developments to ensure that they are fully aware of their responsibilities under the Listing Rules as well as the applicable legal and regulatory requirements in the industry. All Directors are encouraged to attend relevant training courses at the expense of the Company.

Based on the training records as provided to the Company by the Directors, the Directors have participated in the following training during the Year 2024:

	Types of training
Executive Directors:	
Mr. Ren Zhijian	A, B
Mr. Bartle van der Meer	A, B
Mr. Zhang Zhi	A, B
Non-executive Directors:	
Mr. Han Shixiu (appointed on 25 September 2024)	B, C
Ms. Yan Junrong	A, B
Mr. Zou Ying (appointed on 25 September 2024)	B, C
Mr. Zhang Zhanqiang (resigned on 25 September 2024)	A, B
Mr. Sun Donghong (resigned on 25 September 2024)	A, B
Independent Non-executive Directors:	
Mr. Ma Ji	A, B
Mr. Chen Fuquan (appointed on 25 September 2024)	B, C
Mr. Aidan Maurice Coleman	A, B
Mr. Song Kungang (resigned on 30 July 2024)	A, B

Notes:

A: training and seminars

B: read newspapers, journals and updates relating to the Group's business and regulatory requirements, and materials relating to the Listing Rules and relevant laws

C: induction training by Hong Kong lawyers for newly appointed Directors

Board Responsibilities

The Board is responsible for leading, directing and supervising the Group's affairs to enable its long-term sustainability as well as setting strategic objectives focusing on value creation and risk management. The Board is also responsible for ensuring adequacy of resources, staff qualifications and experience, especially for the Group's accounting, internal audit and financial reporting function.

All the Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations and the interests of the Company and the Shareholders at all times. In order to ensure that their duties can be properly discharged, the Directors are entitled to seek advice from independent professional advisers whenever deemed necessary by them at the expense of the Company.

The Directors shall disclose to the Company details of other offices they held and the Board regularly reviews each of the Directors' required contribution to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Independence Mechanism

During the Year 2024, the Board reviewed the implementation and effectiveness of the mechanisms in place to ensure that independent views and opinions are available to the Directors. Having considered the following aspects, the Board considered that the Company maintained an effective mechanism to ensure a potent and sufficient element of independence in the Board:

- there are three INEDs in the Board (representing one-third of the Board), all of whom continued to devote sufficient time to the Company; other Board committees are also comprised of a sufficient number of INEDs to ensure that independent views are available to each Board committee;
- the Board reviews its structure, size and composition (including skills, knowledge, experience, gender balance and length of tenure) and the implementation and effectiveness of the diversity policy at least annually to maintain a balanced Director composition in the Board;
- the Nomination Committee assesses the independence of all INEDs annually in accordance with the independence standards set out in the Listing Rules to ensure that they are always able to exercise independent judgment;
- all Directors (including the INEDs) have equal opportunities and multiple channels to convey and express their independent views and input to the Board and Board committees;
- all Directors (including the INEDs) may request further data and documentation from the management of the Company on matters discussed at Board meetings;
- all Directors may seek assistance from the secretary to the Board and the company secretary of the Company (the "**Company Secretary**") and seek external independent professional advice at the Company's expense;
- all Directors (including the INEDs) shall not vote on any Board resolution approving any contract or arrangement in which he/she or any of his/her associates has a material interest nor shall he/she be counted in the quorum of the meeting; and
- the Chairman at least annually holds meetings with the INEDs without the presence of other Directors to discuss matters and address concerns.

Board's Responsibilities for Financial Reporting in respect of Financial Statements

The Board acknowledges its responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the Year 2024, the Board ensured that (i) the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards, and they have been applied consistently; (ii) judgments and estimates made are prudent, fair and reasonable; and (iii) the consolidated financial statements are prepared on a going concern basis. The Board is also responsible for the timely publication of the consolidated financial statements of the Group.

The Directors confirm that, having made all reasonable enquiries, to the best of their knowledge, information and belief, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement made by PricewaterhouseCoopers, the independent auditors of the Company, about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" of this report.

Board's Corporate Governance Functions

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to the employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the CG Report.

During the Year 2024, the Board has reviewed (i) the Company's corporate governance policies and practices; (ii) the training and continuous professional development of the Directors and senior management; and (iii) the Company's policies and practices on compliance with legal and regulatory requirements.

Board and Board Committee meetings

The Board meets regularly, no less than four times a year pursuant to code provision C.5.1 of the CG Code, to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The schedule for the regular meetings of the Board and the Board committees was prepared and approved by the Board at the end of the previous year or beginning of the year. Formal notices were sent to the Directors at least 14 days before the respective meetings shall be held officially.

All Directors are provided with appropriate, complete and reliable materials for their review at least 3 days prior to respective meetings. The agenda for each meeting is prepared and circulated after sufficient consultation with the Board/Board committee members and approved by the respective chairmen. The Company Secretary is responsible for circulating the papers of the meetings of the Board and the Board committees, and relevant information to the Directors. The Directors have separate and independent access to the Company Secretary and the senior management of the Company at all times and may seek independent professional advice at the expense of the Company. Where queries are raised by the Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for the meetings of the Board and the Board committees.

Full minutes of the Board and the Board committee meetings are kept by the Company Secretary and are open for inspection by any Director. Draft and final versions of minutes were sent to all Directors for their comments and records respectively within a reasonable time after the meeting.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee. Each Board committee is governed by specific terms of reference approved by the Board, covering its functions, duties and powers.

Audit Committee

As at the end of the reporting period, the Audit Committee comprised three members and they are all the INEDs (Mr. Ma Ji, Mr. Chen Fuquan and Mr. Aidan Maurice Coleman). The Audit Committee is chaired by Mr. Ma Ji, who is a member of the Chinese Institute of Certified Public Accountants pursuant to Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to monitor the integrity of the Company's financial statements, annual and interim reports, account, risk management and internal control as well as maintain an appropriate relationship with the Company's external auditors; give material advice in respect of financial reporting, internal control and risk management systems and the effectiveness of internal audit function of the Company; make recommendations to the Board on the appointment and removal of external auditors; and review arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for ensuring the internal audit function is staffed by employees with appropriate qualifications, experience, integrity and independence of mind, has appropriate standing within the Company, and reviewing and monitoring its effectiveness. The written terms of reference of the Audit Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

During the Year 2024, the Audit Committee had reviewed the Company's interim results for the six months ended 30 June 2024, the annual results for the Year 2024, the risk management and internal control systems of the Group, the effectiveness of the Company's internal audit function as well as considered and discussed with the external auditors regarding their re-appointment and independence. During the reporting period, the Audit Committee also met with the external auditors for at least two times. All issues raised by the external auditors and the Audit Committee had been addressed by the Board. No issues brought to the attention of the Board were of sufficient significance for disclosure in this report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary and are open for inspection by any committee members. Draft and final versions of minutes were sent to all members of the Audit Committee for their comments and records respectively within a reasonable time after the meeting.

Nomination Committee

As at the end of the reporting period, the Nomination Committee comprised five members, two NEDs (Mr. Han Shixiu and Mr. Zou Ying) and all three INEDs (Mr. Ma Ji, Mr. Chen Fuquan and Mr. Aidan Maurice Coleman). The Nomination Committee is chaired by Mr. Han Shixiu.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, the nomination procedures and process, diversity policy and independence mechanism of the Board and the Nomination Committee on a regular basis; recommend to the Board suitable candidates for directorship after considering the nominees' independence and quality in order to ensure the fairness and transparency of all nominations; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors if necessary. In the selection process of a candidate to act as a Director, the Nomination Committee makes reference to criteria including but not limited to, reputation for integrity, accomplishment and experience in the industry, professional and educational background, and commitment in respect of available time and assesses the independence of the INEDs. The written terms of reference of the Nomination Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange, and are available to the Shareholders upon request.

Nomination procedures and process

(i) *Appointment by the Board*

The Nomination Committee has been delegated authority to identify and recommend potential candidates to the Board on the selection of individuals nominated for directorship through different means, including recommendations from existing Directors or any other means that it deems appropriate.

Once a candidate has been identified, the Nomination Committee, will request the candidate to provide his/her biographical information and other additional information and documents deemed necessary, including but not limited to (i) information on his/her interests in the securities of the Company (if any); (ii) his/her consent to act as a Director and disclosure of information relating to his/her proposed appointment; and (iii) for an INED candidate, his/her declaration of independence in accordance with the criteria under the Listing Rules.

The Nomination Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination Committee may, at its discretion, invite the candidate to meet with the Nomination Committee members in order to assist them in their consideration of the proposed nomination or recommendation. The Nomination Committee will then make recommendations for the Board's consideration and approval.

(ii) *Appointment by the Shareholders at a general meeting*

For the procedures of shareholders' nomination of any proposed candidate for election as a Director, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director", which is available on the Company's website.

(iii) *Re-appointment at a general meeting*

The Nomination Committee will review the profile of the existing Directors who have offered themselves for re-appointment to consider their suitability in the light of the Group's corporate strategy, the structure, size and composition of the Board at that time. The Nomination Committee will then make recommendations for the Board's consideration and the Board will, at its discretion, make recommendations to the Shareholders.

Board Diversity Policy

The Board has adopted a board diversity policy which recognises and embraces the benefits of having a diverse and inclusive Board, and agrees to increase diversity at Board level continuously, in order to achieve and maintain good corporate governance, sustainable development and competitive advantage. Board diversity has been considered from a range of diverse perspectives, including but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum composition of the Board and should be balanced appropriately when possible and necessary. The Board believes a diversified board promotes board effectiveness and enables better decisions to be made due to the lessened risk of groupthink. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including the structure, size and composition of the Board, gender diversity on the Board, how and when gender diversity will be achieved in respect of the Board and the numerical targets and timelines set for achieving gender diversity on the Board. The Nomination Committee will identify and make recommendations in relation to the aforesaid to the Board for adoption and consideration to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile.

As at the end of the reporting period, the Board consists of one female Director and eight male Directors. The Board considers that the gender diversity in respect of the Board with reference to the Group's business needs is satisfactory. The Board targets to maintain at least the current level of female representation. In considering the Board's succession, the Nomination Committee will search from, including but not limited to, different professional firms, legal, accounting, directorship bodies or through independent professional search firms to help identify potential candidates, as and when necessary. The Board will continue increasing the proportion of female members over time as and when suitable candidates are identified.

During the Year 2024, the Board and the Nomination Committee reviewed the implementation and effectiveness of the Board diversity policy, the Board independence mechanism, the procedure for the selection, appointment and reappointment of Directors, the structure, size and composition of the Board, the independence of the INEDs and considered the qualifications of the retiring Directors standing for re-election at the AGM on an annual basis.

Full minutes of the Nomination Committee meetings are kept by the Company Secretary and are open for inspection by any committee members. The draft and final versions were sent to all members of the Nomination Committee for their comments and records respectively within a reasonable time after the meeting.

As at 31 December 2024, the male to female ratio in the workforce of the Group including senior management is approximately 47:53 (2023: 47:53). Going forward, the Company will continue to work towards enhancing the gender diversity of the Board and the Group's employees and when recruiting staff at mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The current gender diversity of the workforce was appropriate, taking into account the business models and operational needs of the Group.

Remuneration Committee

As at the end of the reporting period, the Remuneration Committee comprised five members, an ED (Mr. Ren Zhijian), a NED (Mr. Han Shixiu) and all three INEDs (Mr. Ma Ji, Mr. Chen Fuquan and Mr. Aidan Maurice Coleman). The Remuneration Committee is chaired by Mr. Chen Fuquan.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determines their own remuneration. The written terms of reference of the Remuneration Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

During the Year 2024, the Remuneration Committee reviewed the remuneration policy and structure of the Company, the share option plan, the remuneration packages as well as the annual bonuses of the Directors and the senior management and assessed the performance of the EDs.

Full minutes of the Remuneration Committee meetings are kept by the Company Secretary and are open for inspection by any committee members. Draft and final versions of minutes were sent to all members of the Remuneration Committee for their comments and records respectively within a reasonable time after the meeting.

Attendance of the Directors at various Board meetings, Board committee meetings and general meetings during the Year 2024:

	Board meetings	Audit Committee meetings	Nomination Committee meeting	Remuneration Committee meeting	Year 2023 AGM
Executive Directors:					
Mr. Ren Zhijian	8/8	N/A	N/A	2/2	1/1
Mr. Bartle van der Meer	8/8	N/A	N/A	N/A	0/1
Mr. Zhang Zhi	8/8	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Han Shixiu(1) (appointed on 25 September 2024)	3/3	N/A	N/A	N/A	N/A
Ms. Yan Junrong	8/8	N/A	N/A	N/A	1/1
Mr. Zou Ying (appointed on 25 September 2024)	3/3	N/A	N/A	N/A	N/A
Mr. Zhang Zhanqiang(1) (resigned on 25 September 2024)	5/5	N/A	1/1	1/1	1/1
Mr. Sun Donghong (resigned on 25 September 2024)	5/5	N/A	1/1	N/A	0/1
Independent Non-executive Directors:					
Mr. Ma Ji(2)	8/8	2/2	2/2	2/2	1/1
Mr. Chen Fuquan(3) (appointed on 25 September 2024)	3/3	N/A	N/A	N/A	N/A
Mr. Aidan Maurice Coleman	6/8	2/2	2/2	2/2	1/1
Mr. Song Kungang(3) (resigned on 30 July 2024)	4/4	1/1	1/1	1/1	1/1

Notes:

(1) Mr. Zhang Zhanqiang acted as the Chairman and the chairman of the Nomination Committee during the Year 2024 until he resigned on 25 September 2024. Mr. Han Shixiu was appointed as the Chairman and the chairman of the Nomination Committee on 25 September 2024.

(2) The chairman of the Audit Committee.

(3) Mr. Song Kungang acted as the chairman of the Remuneration Committee during the Year 2024 until he resigned on 30 July 2024. Mr. Chen Fuquan was appointed as the chairman of the Remuneration Committee on 25 September 2024.

Delegation by the Board

The Board reserves for its decision for all major matters of the Group, including but not limited to, monitor and approval of material transactions, reviews and approval of annual business plan and financial budget, matters involving a conflict of interest for a substantial Shareholder or Director, approval of the quarterly, interim and annual results, sustainability report and other disclosures to the public or regulators.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, to ensure that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon requesting the Board.

The Board delegated various responsibilities to the Board committees and other committees the responsibility for overseeing particular aspects of the affairs of the Group. The Board committees should report to the Board on the decisions or recommendations they made.

The Board has delegated to the CEO and the senior management of the Group the authority and responsibility for the day-to-day management and operation of the Group and has the full support of them for discharge of their responsibilities. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the CEO and the senior management of the Group.

Remuneration of Directors and Senior Management

The remuneration of Directors and the senior management by band for the Year 2024 is set out below:

Remuneration bands (HK$)	Number of persons
0 – 1,000,000	9
1,000,001 – 1,500,000	–
1,500,001 – 2,000,000	1
2,000,001 – 2,500,000	3
2,500,001 – 3,000,000	–
3,000,001 – 3,500,000	–
3,500,001 – 4,000,000	1
	14

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid individuals as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in note 9 to the consolidated financial statements.

COMPANY SECRETARY

Ms. Cheung Ka Lai ("**Ms. Cheung**") has been appointed as the Company Secretary on 25 September 2024. Ms. Cheung joined the Group since January 2010. She holds a bachelor's degree in business administration from Coventry University, United Kingdom and a master's degree in Corporate Governance from The Hong Kong Polytechnic University. Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional, a holder of the Practitioner's Endorsement issued by The Hong Kong Chartered Governance Institute (HKCGI) and an associate of both HKCGI and The Chartered Governance Institute (CGI) in the United Kingdom since 2017. Ms. Cheung has over 14 years of experience in management, corporate governance and company secretarial practice.

The Company Secretary is accountable to the Board for ensuring that the Board procedures are followed and the Company complies with the Listing Rules and the relevant laws and regulations. The Company Secretary assists the Board in implementing and strengthening corporate governance practices and processes of the Company. All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

For the Year 2024, Ms. Cheung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the Company's external auditors in respect of audit and non-audit services for the Year 2024 is set out below:

PricewaterhouseCoopers

Type of Services	RMB'000
Audit services	13,530
Other assurance services	–
Subtotal	13,530
Non-audit services*	235
Total	13,765

* Represented mainly tax consultancy services.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Internal Control Framework

The Group has established a risk management and internal control ("**RMIC**") framework and procedures to proactively manage risks. The approach used is partly based on both COSO ERM and ISO 31000 and specifically tailored for use within the Group. The Group adopted the "Three Lines" model to address how specific duties related to risk and control should be assigned and coordinated within the Group. The RMIC systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The main features of the RMIC systems are to provide a clear governance structure, policies and procedures, as well as a reporting mechanism to facilitate the Group to manage its risks across business operations.

Risk Management Approach

Each department or division is responsible for identifying and assessing principal risks within its department or division that may potentially impact the business of the Group, among others, operating activities, the reliability of its financial reports and its compliance with laws and regulations on a regular basis and establishing mitigation plans to manage the risks identified. The assessment result will be escalated to the respective local management and/or Audit Committee with risk mitigation proposals and the management is responsible for overseeing the Group's risk management and internal control activities, attending regular meetings with each department or division to ensure principal risks are properly managed, and new or changing risks are identified and documented. In addition to the regular internal control and risk assessment, the management also monitors and manages designated outstanding risk(s) on an ongoing basis.

Internal Control Systems

The Group has established an internal control system to monitor its internal control in accordance with the requirements of the Stock Exchange. Group-wide policies are also adopted to mitigate risks threatening the Group, such as anti-fraud, anti-corruption and whistleblowing procedures are in place to facilitate employees of the Company to raise and report concerns and issues about possible improprieties in financial reporting, internal control or other matters of the Company. External consultants will be appointed when appropriate, to review the Group's internal control, workflows, and the management systems, and to make suggestions on system enhancement.

Internal Audit

The Group has established an independent internal audit department at a very early stage of its establishment. The person in charge of the department is granted the liberty to communicate with the Audit Committee and directly report the progress of works, including but not limited to audit work planning, work results, important audit findings and rectification. The internal audit department is issue-oriented and risk-oriented, which reinforces the supervision and strengthens the functions of management through various works on audit. The internal audit department will also communicate with and support the external auditors if and when necessary.

Representatives of the internal audit department attend Audit Committee meetings and report their work at least twice a year. Resources such as the annual budget, staffing of the department and competence are guaranteed to be taken into consideration by the Audit Committee and necessary support for the internal audit department will be provided. This is to ensure that sufficient audit resources are allocated to the internal audit department for the effective fulfilment of annual work objectives and responsibilities.

Handling and Dissemination of Inside Information

The Group has adopted a guideline, namely, the "Employees' Code of Dealing the Securities of the Company" for its senior management and employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code and the Guidelines on Disclosure of Inside Information of the SFO. This guideline sets out the procedure and internal control procedures to ensure timely disclosure of inside information of the Group and fulfilment of the Group's continuous disclosure obligations and provides a general guideline and standards for the Company's senior management, officers and relevant employees in dealing in the securities of the Company to ensure inside information is kept confidential until disclosures are made. During the Year 2024, no incident of non-compliance of the "Employees' Code of Dealing the Securities of the Company" was noted by the Group.

Assessing The Effectiveness of Risk Management and Internal Control System

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The review process comprises, among other things, meeting with senior management, internal audit department and external auditors, reviewing the relevant work reports and information of key performance indicators, the management's self-assessment on internal control as detailed above and discussing the major risks with the senior management of the Company. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control systems on an annual basis covering the Year 2024, among others, the financial, operational and compliance controls. The Board considered the risk management and internal control systems of the Group are effective and adequate. No other material deficiencies nor significant areas of concern that might affect the Shareholders were identified during the review. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders, investors and potential investors. To the best belief of the Board, the Company has published all of its announcements on time in accordance with the Listing Rules. All such information is available for public access on the Company's website and the website of the Stock Exchange.

Besides, the Board maintains regular dialogues with institutional investors and analysts and participates in media interviews and specialist industry forums to keep the Shareholders and investors timely informed of the Group's strategy, operations, management and plans. The Directors and members of the various Board committees would attend and answer questions raised at the AGM, and significant issues will be put as separate proposed resolutions.

The Company encourages the Shareholders to attend AGMs and other general meetings to communicate their views and concerns to the Board directly to ensure a high level of accountability. The Directors acknowledge their responsibility for the timely holding of AGMs. The last Shareholders' meeting was the AGM held on 30 May 2024 at 22nd Floor, Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the PRC for approval of, among other things, the audited consolidated financial statements and the Directors' Report and of the Auditors Report for the Year 2023, the general mandates to issue the Shares and repurchase Shares, the re-election of the retiring Directors, authorizing the Board to fix the Directors' remuneration and emolument, the payment of a final dividend and the proposed amendments to the memorandum and articles of association of the Company. Particulars of the major items considered at the meeting are set out in the circular of the Company dated 30 April 2024. All proposed ordinary and special resolutions were passed by way of poll at the meeting.

The AGM for the Year 2024 will be held on 29 May 2025. The notice of AGM will be sent to the Shareholders at least 21 clear days before the AGM.

To promote effective communication, the Company maintains a website at www.ausnutria.com.hk where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices, press release and other information are posted and available for public access. Investors may write directly to the Company or via email to ir@ausnutria.com for any enquiries.

The Board has reviewed the implementation of shareholders' communication policy as detailed above and is satisfied that it has been effective for the Company to communicate with the Shareholders through available channels.

Dividend Policy

According to the dividend policy of the Company (the "**Dividend Policy**"), the declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association. In accordance with the Articles of Association, the Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders, but no dividend shall be declared in excess of the amount recommended by the Board. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with relevant laws, rules and regulations.

Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the financial status, the capital sufficiency, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the Dividend Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

Constitutional Documents

During the Year 2024, the Company has amended its Articles of Association, which came into effect on 30 May 2024. The amendments were to, among others, bring the Articles of Association in line with the amendments made to the applicable laws of the Cayman Islands and the Listing Rules, in particular the relevant requirements of the Listing Rules in respect of the electronic dissemination of corporate communication which became effective from 31 December 2023. Details of the amendments are set out in the circular dated 30 April 2024 to the Shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange and the Company after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association, any one or more Shareholder(s) holding at the date of submission of the requisition not less than one-tenth of the paid-up capital of the Company, on a one vote per share basis, carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the submission of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association for Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company with the contact details set out below. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

Address: Unit 16, 36/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company to facilitate timely and effective communication.

Directors' Report

The Directors hereby present their report and the audited consolidated financial statements for the Year 2024.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company of the Group. The Group is principally engaged in

(i) the dairy industry with activities ranging from R&D, milk collection, processing, production, packaging, marketing and distribution of IMF and other dairy products to customers in the PRC, the Netherlands, Australia, the Middle East and other overseas countries; and

(ii) the R&D, production, marketing and distribution of nutrition products to customers principally located in the PRC and the Australia.

There were no significant changes in the nature of the Group's principal activities during the Year 2024. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the consolidated financial statements.

An analysis of the Group's performance for the Year 2024 by operating segment is set out in note 5 to the consolidated financial statements of this report.

BUSINESS REVIEW

Discussion on the business and performance can be found throughout this report and the cross references are set out below. The business reviews form part of this directors' report.

Topics	Sections
A fair review of the business of the Group during the Year 2024 and the Group's future business development	Chairman's Statement (pages 8 to 11)
A discussion of the principal risks and uncertainties facing the Group, measures undertaken to manage such risks and an analysis of the Group's performance using key performance indicators	Management Discussion and Analysis (pages 12 to 24)
The Company's key relationships with its employees	Chairman's Statement (pages 8 to 11) Directors' Report (pages 40 to 41)
The Company's key relationships with its customers and suppliers	Directors' Report (page 44)
A discussion on relationships with the Company's stakeholders	Corporate Governance Report (pages 25 to 39)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and has provided guidelines to staff on compliance with laws and regulations. The Group's main operations are carried out by the Company's subsidiaries in the PRC, the Netherlands, Australia and the Middle East while the Company is listed in Hong Kong. During the Year 2024 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group.

SUSTAINABILITY POLICIES AND PERFORMANCE

Ausnutria stands by its sustainability vision, actively responds to the United Nations Sustainable Development Goals (SDGs) and creates value together with its stakeholders. The Group is committed to achieving the goals of "Better Nutrition", "Better Life" and "Better Environment" by optimising its operations and resource allocation and embedding the concept of sustainability into its business practices.

For the eighth consecutive year, Ausnutria launched the "Hyproca Tundra Rose Public Welfare Project", covering the whole territory of Tibet, with over RMB11.1 million of in-kind and cash donations, organising 59 charitable clinic events and academic exchanges, initiating 50 rounds, training more than 1,100 rural doctors and benefiting over 6,500 families with mothers and babies. This has significantly improved the health of local mothers and children and laid the foundation for the sustainable development of the rural healthcare system.

The Group's two gasless blend factories in Heerenveen, the Netherlands, were completed in 2017, and the construction of another world-leading gasless wet blend factory was completed in 2024. All of the Group's factories in the Netherlands are now powered by renewable electricity, thereby significantly reducing carbon emissions and environmental impact.

In 2024, Stage 1 of Kabrita's IMF passed the review by the US FDA and was launched in the US market. The full range of the infant formula goat milk powder of Kabrita is now available in the US. With its outstanding performance in product quality and safety, Kabrita has become the first goat milk-based IMF to obtain three certifications under the US Clean Label Project. In addition, Ausnutria was granted the 2024 Dairy Industry Association Science and Technology Innovation Enterprise and the First-class Award for Technological Advancements at the annual meeting of the China Dairy Industry Association. An industry publication, "Guidelines for Nutritional Intake During Pregnancy and Postpartum", was released to provide consumers with scientific guidance. Ausnutria's "Research and Development on a Formula with Comprehensive Nutrition" was selected as one of the 2024 major scientific and technological innovations in the dairy industry by the Dairy Association of China, further consolidating Ausnutria's leading position in the field of dairy technology. Meanwhile, Ausnutria was honoured with a number of accolades by the government of Wangcheng District, Hunan Province, the PRC including the Local Development Contribution Award (發展貢獻二等獎) and Outstanding R&D Innovation Contribution Award (科技突出貢獻獎). In recognition of its sustainability and public welfare contributions, Ausnutria also received a number of awards at the Philanthropy Festival, the ESG Development Conference and the Changsha Charity List.

Looking ahead, the Group will continue to formulate sustainability strategies based on the pillars of "Better Nutrition", "Better Life" and "Better Environment", focus on carbon emission reduction, conserving energy and establishing a green supply chain, in order to provide consumers around the world with quality products and promote sustainability of the society.

Pursuant to Rule 4(2)(d) to Appendix C2 to the Listing Rules, the Company will publish a sustainability report at the same time as the publication of this annual report, in compliance with the provisions set out in the ESG Reporting Guide in Appendix C2 to the Listing Rules. For more information about Ausnutria's sustainability commitment and performance for the Year 2024, please refer to the sustainability report published at the same time with this annual report. The English and Chinese versions of the sustainability report 2024 are available to be viewed and/or downloaded on the Company's website at www.ausnutria.com.hk (by clicking "**ESG Reports**" under the section headed "**Investors**") and the Stock Exchange's website at www.hkexnews.hk.

RESULTS AND DIVIDENDS

The Group's results for the Year 2024 and the Group's financial position at that date are set out in the consolidated financial statements on pages 62 to 68 of this report.

The Board is pleased to recommend the payment of a final dividend of HK$0.06 (Year 2023: HK$0.05) per Share for the Year 2024 to be distributed out of the Company's share premium account. Subject to the approval of the Shareholders at the forthcoming AGM to be held on 29 May 2025, the proposed final dividend is expected to be paid on or around 25 June 2025. As at the date of this report, there was no arrangement with any Shareholders under which he/she/it has waived or agreed 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 at the forthcoming AGM, the register of members of the Company will be closed from Monday, 26 May 2025 to Thursday, 29 May 2025 (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 Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 23 May 2025.

(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 Thursday, 5 June 2025 to Monday, 9 June 2025 (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 Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 4 June 2025.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 160 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year 2024 are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the Year 2024 are set out in note 17 to the consolidated financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 29 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year 2024 are set out in note 33 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year 2024, the Company repurchased 573,000 Shares on the Stock Exchange at a total consideration of HK$1,074,160. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased by the Company during the Year 2024 are disclosed as below:

Month of Repurchase	Aggregate number of Shares repurchased	Repurchased Price		Total consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
August	347,000	1.94	1.84	651,800
September	226,000	1.90	1.82	422,360
Total	573,000			1,074,160

Notes:

1. These Shares repurchased by the Company were cancelled on 31 December 2024.

2. The total consideration paid excluded expenses paid for the Share repurchase.

3. Subsequent to the reporting period, as at the date of this report, the Company repurchased 706,000 Shares in aggregate, out of which 118,000 Shares were cancelled on 31 March 2025.

Save for the above, neither the Company nor any of its subsidiaries purchased, redeemed or sold interest in any of the Shares (including sale of treasury shares, as defined under the Listing Rules) during the Year 2024. As at 31 December 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

RESERVES

Details of movements in the reserves of the Company and the Group during the Year 2024 are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's accumulated losses amounted to RMB159,250,000 (2023: RMB177,128,000). As at 31 December 2024, the Company's share premium account available for distribution under certain conditions, amounted to RMB2,911,426,000 (2023: RMB2,993,283,000), of which RMB98,594,000 (2023: RMB80,659,000) has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the Year 2024, the Group made charitable contributions totalling RMB2,632,000 (Year 2023: RMB6,406,000).

MAJOR CUSTOMERS AND SUPPLIERS

The Group seeks to build, sustain and grow its customer relationships by promoting interactions with and among business partners and customers through different engagement programs and social platforms. The Group sustains a strong customer relationship by providing updated health and nutritional information, and collecting feedback through a variety of communication channels while protecting its customers' rights. This allows the Group to better capture feedback from customers, and for business partners and customers to have a better knowledge of the Group's dairy and nutritional products.

The Group works closely with its suppliers to build long-term partnerships that are mutually beneficial to all. The Group also establishes strategic alliances with suppliers to ensure that its sustainable standards are strictly adhered to throughout the entire value chain with rigorous and selective screening criteria and procedures to guarantee that it only collaborates with those who share the same values. The Group also supports its suppliers to adopt sustainable practices. Regarding this aim, the Group has established stringent supplier selection procedures to ensure only suppliers who share the same values with the Group are engaged. Regular performance monitoring and assessments are also in place to ensure compliance and to maintain a reliable and stable supply.

During the Year 2024, sales to the Group's five largest customers accounted for 11.3% (Year 2023: 11.6%) of the total sales for the year and sales to the largest customer included therein amounted to 4.3% (Year 2023: 4.2%). Purchases from the Group's five largest suppliers accounted for 24.0% (Year 2023: 23.9%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 11.3% (Year 2023: 7.4%).

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or the five largest suppliers.

DIRECTORS

The Directors who were in the office during the Year 2024 and up to the date of this report were as follows:

Executive Directors:
Mr. Ren Zhijian *(CEO)*
Mr. Bartle van der Meer
Mr. Zhang Zhi

Non-executive Directors:
Mr. Han Shixiu (appointed on 25 September 2024) *(Chairman)*
Ms. Yan Junrong
Mr. Zou Ying (appointed on 25 September 2024)
Mr. Zhang Zhanqiang (resigned on 25 September 2024)
Mr. Sun Donghong (resigned on 25 September 2024)

Independent Non-executive Directors:
Mr. Ma Ji
Mr. Chen Fuquan (appointed on 25 September 2024)
Mr. Aidan Maurice Coleman
Mr. Song Kungang (resigned on 30 July 2024)

In accordance with Article 83(3) of the Articles of Association, Mr. Han Shixiu, Mr. Zou Ying and Mr. Chen Fuquan, who were appointed as Directors to fill casual vacancies of the Board, shall hold office until the forthcoming AGM and being eligible, offer themselves for re-election.

Further, in accordance with Article 84 of the Articles of Association, Mr. Zhang Zhi, Ms. Yan Junrong and Mr. Aidan Maurice Coleman will retire by rotation at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-election. An ordinary resolution approving their re-elections will be proposed at the forthcoming AGM.

The Company has received annual confirmations of independence from each of the INEDs in accordance with Rule 3.13 of the Listing Rules for the Year 2024. The Company considers all of the INEDs to be independent.

CHANGES IN DIRECTOR'S INFORMATION

Changes in Director's information during the Year 2024 and up to the date of this report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of Change
Mr. Song Kungang	Resigned as NED with effect from 30 July 2024
Mr. Zhang Zhanqiang	Resigned as NED and the Chairman with effect from 25 September 2024
Mr. Sun Donghong	Resigned as NED and the vice-Chairman with effect from 25 September 2024
Mr. Han Shixiu	Appointed as NED and the Chairman with effect from 25 September 2024
Mr. Zou Ying	Appointed as NED with effect from 25 September 2024
Mr. Chen Fuquan	Appointed as INED with effect from 25 September 2024
Mr. Ma Ji	Resigned as the chief financial officer of YQNLink in January 2025 and joined Yuanli Juhe (Chongqing) Information Technology Co., Ltd. （原力聚合（重慶）信息技術有限公司） as the chief financial officer in February 2025

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Management Profiles" on pages 54 to 56 of this report.

MANAGEMENT CONTRACTS

Save for the service contracts of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the Year 2024.

DIRECTORS' SERVICE CONTRACTS

Each of the EDs, NEDs and INEDs has entered into a service contract with the Company for a term of 3 years, 2 years and 2 years, respectively, which will continue thereafter unless otherwise terminated in accordance with the terms of the service contract.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The remuneration of the Directors is determined by the Board, as authorised by the Shareholders at general meeting, with reference to the recommendation by the Remuneration Committee after taking into consideration of the Directors' experience, duties, responsibilities, performance, time devoted to the Group, the results of the Group as well as the prevailing market conditions. Details of remuneration of the Directors during the Year 2024 are set out in note 9 to the consolidated financial statements.

Mr. Ren Zhijian and Mr. Zhang Zhi are not entitled to any directors' fee from serving as EDs but are still entitled to salaries and performance bonus as the CEO and the chief supply chain officer respectively. Furthermore, Mr. Han Shixiu, Ms. Yun Junrong and Mr. Zou Ying agreed that they will not receive any remuneration from the Company for serving as NEDs during the term of their appointments.

Saved as disclosed above, as at the date of this report, there was no arrangement with any Director under which he/she has waived or agreed to waive any remuneration and there were no remuneration paid by the Group to any of the Directors of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office. The remuneration of the senior management of the Group is recommended to the Board by the Remuneration Committee based on their merit, qualifications and competence.

The Company has adopted a share option scheme as an incentive to the Directors and employees of the Group, details of these are set out in the section headed "Share Option Scheme" of the Directors' Report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the transactions as disclosed in the section headed "Connected Transactions" and the related party transactions (which did not constitute as "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules) as disclosed in note 39 to the consolidated financial statements, (i) no transactions, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which any Director (or any entity connected with a Director) had a material interest, whether directly and indirectly, subsisted at the end of the Year 2024 or at any time during the Year 2024; and (ii) no contracts of significance (including contracts of significance for the provision of services) between the Company (or any of its subsidiaries) and any controlling Shareholder (or any of its subsidiaries) subsisted at the end of the Year 2024 or at any time during the Year 2024.

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:–

	Number of Shares held, capacity and nature of interest			
Name of Director	Beneficial Owner	Interest of a controlled corporation	Total	Approximate percentage of issued share capital[2]
Mr. Bartle van der Meer	1,509,000	93,664,230[1]	95,173,230	5.35%

Long positions in ordinary shares of associated corporations:–

Name of Director	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares interested	Total	Approximate percentage of interest in such corporation(3)
Mr. Ren Zhijian	Yili Industrial	Beneficial owner	280,000	280,000	0.00%
Mr. Zhang Zhi	Yili Industrial	Beneficial owner	125,000	125,000	0.00%
Mr. Han Shixiu	Yili Industrial	Interest of spouse	198,200	198,200	0.00%
Ms. Yan Junrong	Yili Industrial	Beneficial owner	629,400	629,400	0.01%
Mr. Zou Ying	Yili Industrial	Beneficial owner	132,800		
	Yili Industrial	Interest of spouse	17,836	150,636	0.00%

Notes:

(1) The Shares are held by Dutch Dairy Investments HK Limited ("**DDIHK**"), which is in turn wholly-owned by Dutch Dairy Investments B.V. ("**DDI**"). DDI is wholly-owned by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Mr. Bartle van der Meer is therefore deemed to be interested in 93,664,230 Shares held by DDIHK and is interested in 95,173,230 Shares in aggregate under the SFO. Subsequent to the reporting period, DDIHK bought 523,000 Shares and Mr. Bartle van der Meer is deemed to be interested in 95,696,230 Shares in aggregate which represents approximately 5.38% of the issued Shares.

(2) As at 31 December 2024, the total number of issued ordinary shares of the Company was 1,779,538,841.

(3) As at 31 December 2024, the total number of issued A shares of Yili Industrial was 6,365,900,705.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", at no time during the Year 2024 and up to the date of this report were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competed or was likely to compete with the business of the Group during the Year 2024 and up to the date of this report, which would require disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares and underlying interests of 5% or more of the issued share capital of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Long position in the shares of the Company:

Name	Notes	Number of Shares	Nature of interest	Approximate percentage of issued share capital[4]
Inner Mongolia Yili Industrial Group Co, Ltd.	1	1,070,113,149	Interest of controlled corporation	60.13%
Center Laboratories, Inc.		146,918,271	Beneficial owner	8.26%
Dutch Dairy Investments HK Limited	2	93,664,230	Beneficial owner	5.26%
Dutch Dairy Investments B.V.	2	93,664,230	Interest of a controlled corporation	5.26%
Fan Deming BV	2	93,664,230	Interest of a controlled corporation	5.26%
Citagri Easter Ltd.	3	92,400,738	Beneficial owner	5.19%
Changsha Kunxin Xin'Ao Investment LP	3	92,400,738	Interest of controlled corporation	5.19%
Chengtong CITIC Agriculture Investment Fund	3	92,400,738	Interest of controlled corporation	5.19%
China Structural Reform Fund Co., Ltd* (中國國有企業結構調整基金股份有限公司)	3	92,400,738	Interest of controlled corporation	5.19%
Citagri Nutrition Investment Co., Limited	3	92,400,738	Interest of controlled corporation	5.19%
CITIC Agri Fund Management Co., Ltd.	3	92,400,738	Interest of controlled corporation	5.19%
CITIC Agriculture Technology Co., Ltd.	3	92,400,738	Interest of controlled corporation	5.19%
CITIC Limited	3	92,400,738	Interest of controlled corporation	5.19%
CITIC Group Corporation	3	92,400,738	Interest of controlled corporation	5.19%

Notes:

1. Yili Industrial is beneficially interested in 1,070,113,149 Shares through its wholly-owned subsidiary, Jingang Trade.

2. DDIHK is wholly-owned by DDI. DDI is wholly-owned by Fan Deming B.V., which is in turn wholly-owned by Mr. Bartle van der Meer. Each of DDI, Fan Deming B.V. and Mr. Bartle van der Meer is therefore deemed to be interested in the Shares held by DDIHK under the SFO.

3. Citagri Easter Ltd. is owned as to approximately 53.14% by Changsha Kunxin Xin'Ao Investment LP* (長沙鯤信信澳股權投資合夥企業(有限合夥))("**Kunxin Xin'Ao**"), 30.40% by Easter Fund II LP and 16.46% by Easter Fund LP. Kunxin Xin'Ao is owned as to 91.17% by Chengtong CITIC Agriculture Investment Fund as a limited partner, which in turn is owned as to 34.69% by China Structural Reform Fund Co., Ltd.* (中國國有企業結構調整基金股份有限公司) and owned as to 36.90% by CITIC Agriculture Technology Co. Ltd (中信農業科技股份有限公司). Citagri Nutrition Investment Co., Limited, the general partner of Easter Fund LP and Easter Fund II LP, is indirect wholly-owned subsidiary of CITIC Agri Fund Management Co., Ltd. CITIC Agri Fund Management Co., Ltd. is the general partner of Kunxin Xin'Ao and its largest shareholder is CITIC Agriculture Technology Co., Ltd., which owns 40.41% of the equity interest in CITIC Agri Fund Management Co., Ltd. CITIC Agriculture Technology Co., Ltd. is an indirect wholly-owned subsidiary of CITIC Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 267), and CITIC Limited is indirectly owned as to 58.13% by CITIC Group Corporation.

4. As at 31 December 2024, the total number of the issued Shares of the Company was 1,779,538,841.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any other person, other than the Directors, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Summary of Terms

A new share option scheme was conditionally approved and adopted by all Shareholders on 26 May 2022 (the "**New Share Option Scheme**") whereby the Board was authorised, at their discretion, to invite, among other eligible participants, employees of the Group (including proposed employees, whether full-time or part-time and including any executive Director), non-executive Directors (including independent non-executive Directors), advisers and consultants, to take up options to subscribe for the Shares. The purpose of the New Share Option Scheme is to enable the Company to grant options to the selected participants as incentives or rewards for their contribution to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 of the Company at the subscription price as the Board may in its absolute discretion determine in accordance with the terms of the New Share Option Scheme. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the New Share Option Scheme is approved (i.e. valid till 25 May 2032). In respect of any particular option, the period within which the option may be exercised by the grantee shall be a period to be determined by the Board at its discretion and notified by the Board to each grantee, and such period shall not be more than 10 years from the date on which such option is granted. Further details of the New Share Option Scheme are set out in the circular of the Company dated 22 April 2022.

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of approval of the New Share Option Scheme (i.e. 180,854,584 Shares), which represents approximately 10.16% of the issued Shares as at 31 December 2024. As at 1 January 2024 and 31 December 2024, 180,854,584 options were available for grant under the New Share Option Scheme.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon the exercise of the share options granted to each eligible person (including exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the relevant class of securities of the Company in issue. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at 31 December 2024, no option had been granted or agreed to be granted under the New Share Option Scheme.

CONNECTED TRANSACTIONS

Connected Transactions

Details of the connected transactions of the Company for the Year 2024 are set out in the section headed "Material Investments and Acquisitions and Disposals" on page 20 of this report.

Continuing Connected Transactions

Details of the continuing connected transactions of the Company (the "**CCTs**") for the Year 2024 are set out as follows:

Financial Services Framework Agreement

On 29 August 2023, the Company entered into an agreement (the "**Financial Services Framework Agreement**") with Yili Finance Company Limited ("**Yili Finance**"). Pursuant to which Yili Finance agreed to provide a range of financial services, namely the deposit services, the loan services, the settlement services and other financial services, to the Group for a term commencing from 29 August 2023 to 28 August 2026.

The maximum daily balance of deposits (including the interest accrued thereon) under the deposit services for the period from 29 August 2023 to 28 August 2026 shall not exceed RMB270.0 million.

The maximum daily balance of deposit (including the interest accrued thereon) under the deposit services for the Year 2024 did not exceed RMB270.0 million.

Processing Service Framework Agreement

On 23 September 2022, the Company entered into an agreement (the "**Processing Service Framework Agreement**") with Yili Industrial. Pursuant to which the Group agreed to provide processing services in respect of the production of milk powder (other than infant formulas) and related products for Yili Industrial and its subsidiaries (the "**Yili Industrial Group**") from time to time during the terms of the Processing Service Framework Agreement. The duration of the Processing Service Framework Agreement started from 23 September 2022 to 31 December 2024.

The annual cap in respect of the transactions contemplated under the Processing Service Framework Agreement for each of the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB100.0 million, RMB150.0 million and RMB200.0 million, respectively. The actual transaction amount for the provision of processing services to the Yili Industrial Group under the Processing Service Framework Agreement for the Year 2024 was approximately RMB5.4 million.

As the Processing Service Framework Agreement would expire on 31 December 2024, on 27 December 2024, the Company entered into an agreement (the "**2025 Processing Service Framework Agreement**") with Yili Industrial to renew for the CCTs under the Processing Service Framework Agreement for the three financial years commencing from 1 January 2025 to 31 December 2027, on terms substantially the same as those of the Processing Service Framework Agreement. The annual cap in respect of the transactions contemplated under the 2025 Processing Service Framework Agreement for each of the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 is RMB50 million, RMB60 million and RMB80 million, respectively.

Supply Framework Agreement

On 23 September 2022, the Company entered into an agreement (the "**Supply Framework Agreement**") with Yili Industrial, pursuant to which the Yili Industrial Group agreed to purchase the goat milk powder and related products from the Group from time to time during the terms of the Supply Framework Agreement. The duration of the Supply Framework Agreement started from 23 September 2022 to 31 December 2024. On 11 September 2023, the Company and Yili Industrial entered into a supplemental agreement to the Supply Framework Agreement to extend the range of products to cover whole milk powder, skim milk powder, organic whole milk, whey protein concentrate, other milk powder ingredients and formula produced by the Group.

The annual cap in respect of the sale of goat milk powder and related products by the Group to the Yili Industrial Group under the Supply Framework Agreement for each of the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB100.0 million, RMB150.0 million and RMB200.0 million, respectively. The actual transaction amount for the sales of products to the Yili Industrial Group under the Supply Framework Agreement for the Year 2024 was approximately RMB57.9 million.

As the Supply Framework Agreement would expire on 31 December 2024, on 27 December 2024, the Company entered into an agreement (the "**2025 Supply Framework Agreement**") with Yili Industrial to renew for the CCTs under the Supply Framework Agreement for the three financial years commencing from 1 January 2025 to 31 December 2027, on terms substantially the same as those of the Supply Framework Agreement. The annual cap in respect of the transactions contemplated under the 2025 Supply Framework Agreement for each of the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 is RMB140 million.

Procurement Framework Agreement

On 23 September 2022, the Company entered into an agreement (the "**Procurement Framework Agreement**") with Yili Industrial, pursuant to which the Group agreed to purchase cow milk base powder and related ingredients from the Yili Industrial Group from time to time during the terms of the Procurement Framework Agreement. The duration of the Procurement Framework Agreement started from 23 September 2022 to 31 December 2024. On 11 September 2023, the Company and Yili Industrial entered into a supplemental agreement to the Procurement Framework Agreement to extend the range of products to cover base milk powder, Lactoferrin, other related ingredients and IMF produced by the Yili Industrial Group.

The annual cap in respect of the purchase of milk base powder and related ingredients by the Group from the Yili Industrial Group under the Procurement Framework Agreement for each of the financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB200.0 million, RMB250.0 million and RMB300.0 million respectively. The actual transaction amount for the purchase of products from the Yili Industrial Group under the Procurement Framework Agreement for the Year 2024 was approximately RMB164.0 million.

As the Procurement Framework Agreement would expire on 31 December 2024, on 27 December 2024, the Company entered into an agreement (the "**2025 Procurement Framework Agreement**") with Yili Industrial to renew for the CCTs under the Procurement Framework Agreement for the three financial years commencing from 1 January 2025 to 31 December 2027, on terms substantially the same as those of the Procurement Framework Agreement. The annual cap in respect of the transactions contemplated under the 2025 Procurement Framework Agreement for each of the financial year ending 31 December 2025, 31 December 2026 and 31 December 2027 is RMB40 million, RMB90 million and RMB120 million, respectively.

New Procurement Framework Agreement

On 27 December 2024, the Company entered into an agreement (the "**New Procurement Framework Agreement**") with Yili Industrial for a term of three years commencing from 1 January 2025 to 31 December 2027 in relation to the purchase of goat milk base powder and related ingredients by the Group from the Yili Industrial Group from time to time during the terms of the New Procurement Framework Agreement. The annual cap in respect of the transactions contemplated under the New Procurement Framework Agreement for each of the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 is RMB40 million, RMB50 million and RMB60 million, respectively.

Manufacturing Service Framework Agreement

On 27 December 2024, the Company entered into an agreement (the "**Manufacturing Service Framework Agreement**") with Yili Industrial for a term of three years commencing from 1 January 2025 to 31 December 2027 in relation to the provision of manufacturing services by the Yili Industrial Group to the Group from time to time during the terms of the Manufacturing Service Framework Agreement. The annual cap in respect of the transactions contemplated under the Manufacturing Service Framework Agreement for each of the financial years ending 31 December 2025, 31 December 2026 and 31 December 2027 is RMB140 million.

At the date of signing the above agreements, Yili Industrial is a controlling Shareholder and Yili Finance is a wholly-owned subsidiary of Yili Industrial. Accordingly, each of Yili Industrial and Yili Finance is a connected person of the Company under the Listing Rules and accordingly, the transactions contemplated under the above agreements constitute continuing connected transactions of the Company under the Listing Rules. Further details regarding the above transactions are set out in the announcements of the Company dated 23 September 2022, 29 August 2023, 11 September 2023 and 27 December 2024, respectively.

In accordance with Rule 14A.55 of the Listing Rules, the INEDs have reviewed the CCTs set out above and have confirmed that these CCTs were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

PricewaterhouseCoopers, the Company's auditors, were engaged to report on the CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the CCTs in accordance with Rule 14A.56 of the Listing Rules.

The auditors of the Company have confirmed that regarding the CCTs, nothing has come to their attention that causes them to believe that: (i) the CCTs as disclosed above have not been approved by the Board; (ii) for transactions involving the provision of goods or services by the Group, such transactions were not, in all material respects, in accordance with the pricing policies of the Group; (iii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or (iv) the transaction amount of the CCTs as disclosed above have exceeded the annual cap as set by the Company or approved by the Shareholders (as the case may be).

A summary of all significant transactions with related parties (the "**Related Party Transactions**") entered into by the Group during the reporting period is contained in note 39 to the consolidated financial statements. During the reporting period, other than the CCTs set out above which are disclosed pursuant to the Listing Rules, no Related Party Transactions disclosed in note 39 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and CCTs entered into by the Group during the reporting period.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, no significant events are affecting the Group after the Year 2024 and up to the date of this report.

FINANCIAL ADVISORS' INTEREST

The Company extended the appointment of Asian Capital Limited as the Company's financial advisor on a retainer basis for consultation on compliance with the Listing Rules for a period of one year commencing from 24 August 2024. During the term of the appointment, Asian Capital Limited will be accountable to the Audit Committee. As notified by Asian Capital Limited, during the Year 2024 and up to the date of this report, neither Asian Capital Limited nor any of its directors, employees or associates had any interests in the Shares or shares of any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the Shares or shares of any member of the Group.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" on pages 49 to 50 of this report, no equity-linked agreement was entered into by the Company during the Year 2024 or subsisted at the end of the Year 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the Year 2024 and up to the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the CG Report on pages 25 to 39 of this report.

PERMITTED INDEMNITY PROVISION

The Company has subscribed appropriate and sufficient insurance coverage on directors' and officers' liability insurance throughout the Year 2024, which provides appropriate cover for the Directors and officers of the Company.

AUDITORS

An extraordinary general meeting of the Company was held on 5 September 2022, the Shareholders approved the removal of Ernst & Young as the auditor of the Company and its subsidiaries and the appointment of PricewaterhouseCoopers as the auditor of the Company. Saved as disclosed above, there were no other changes in the Company's auditors in the preceding three years.

The consolidated financial statements for the Year 2024 had been audited by PricewaterhouseCoopers. A resolution of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Han Shixiu
Chairman

Management Profiles

Biographical details of the Directors and the senior management of the Group as at the date of this report are set out below:

DIRECTORS

Executive Directors

Mr. REN Zhijian ("Mr. Ren")

Mr. Ren, aged 51, was appointed as an ED and the CEO on 12 September 2023. He joined the Group in July 2022 and is the chief executive officer of the Group in the PRC region. He is responsible for the overall business strategies and operations management of the PRC region. Mr. Ren graduated from Inner Mongolia College of Finance and Economics (內蒙古財經學院), now known as Inner Mongolia University of Finance and Economics (內蒙古財經大學). Before joining the Group, he was the deputy general manager of the milk powder business department of Yili Industrial and served at the cold beverage and milk powder business departments of Yili Industrial for more than 20 years with extensive experience in sales management and operations management.

Mr. Bartle VAN DER MEER ("Mr. van der Meer")

Mr. van der Meer, aged 78, was appointed as an ED and the CEO on 7 June 2013 and resigned as the CEO on 27 January 2023. Mr. van der Meer is one of the founders of Ausnutria B.V. and has been involved in the strategic management since the establishment of Ausnutria B.V. in 1994. He is also a member of the board of directors of Ausnutria B.V. since January 2020 and has been the chairman of the one-tier board from January 2020 to July 2023. Mr. van der Meer is primarily responsible for the Group's corporate merger and acquisition, dairy supply related strategies and management and new capital expenditure projects in the Netherlands. He graduated with a business administration degree in the Netherlands with a major in banking in 1966. He worked for Rabobank, a multinational banking and financial services group in the Netherlands for more than 25 years. He is serving as the executive director of Fan Deming B.V., a private equity company which owned 100% equity interests in DDI, a substantial Shareholder, since 1994. Mr. van der Meer has been the chairman of supervisory board of sc Heerenveen NV (a soccer club which plays in the premier division in the Netherlands) since 1998 to 2012, and a member of Foundation Accell Group (a company listed on Euronext Amsterdam (formerly known as Amsterdam Stock Exchange) since 1998 to March 2022.

Mr. ZHANG Zhi ("Mr. Zhang")

Mr. Zhang, aged 42, was appointed as an ED on 12 September 2023. He joined the Group in January 2023 and is the chief supply chain officer of the Group responsible for the overall production, supply chain security and quality management of the Company. Mr. Zhang graduated from Inner Mongolia University (內蒙古大學) in 2004 with a bachelor's degree in biotechnology, and is an EMBA student of Tianjin University (天津大學). Prior to joining the Group, he was the director of supply chain of the international business department of Yili Industrial. He worked for, among others, the cold beverage business department and the milk powder business department of Yili Industrial for a total of 19 years. He has extensive experience in international business, supply chain management and operation management.

Non-executive Directors

Mr. HAN Shixiu ("Mr. Han"), Chairman

Mr. Han, aged 49, was appointed as the Chairman of the Board of the Company and a NED on 25 September 2024. He graduated from Inner Mongolia Agricultural University in 1997. He joined Yili Industrial in June 1997 and had been the supply director and logistics director of the liquid milk business unit, the head of the strategic planning department and the general manager of the milk powder business unit (including infant milk formula) of Yili Industrial. Since 2024, he has been the assistant to the group president of Yili Industrial. Mr. Han has over 20 years of extensive experience in the fields of supply chain and infant milk formula.

Ms. YAN Junrong ("Ms. Yan")

Ms. Yan, aged 53, was appointed as a NED on 24 November 2023. She graduated from Inner Mongolia University of Technology in 1994 with a bachelor's degree in engineering. She has 30 years of experience in the dairy industry and has been engaged in quality management, corporate culture building and management and operation of the president's office. Ms. Yan joined Yili Industrial in 1994 and has been the assistant to the president and the directors of the President's Office and the Management and Operation Office of Yili Industrial since 2019, managing the President's Office of Yili Industrial group. Prior to that, she was an executive director of Yili Industrial.

Mr. ZOU Ying ("Mr. Zou")

Mr. Zou, aged 44, was appointed as a NED on 25 September 2024. He graduated from Peking University in 2002 with a bachelor's degree in economics. He is a fellow member of the Chartered Institute of Management Accountants and a member of the Association of International Accountants. Mr. Zou joined Yili Industrial in August 2019 as the milk powder business unit's finance head, and is currently the head of the financial management department of Yili Industrial. Prior to joining Yili Industrial, he worked for Nestlé in various countries and regions for 17 years and has extensive experience in the fields of financial management and infant milk formula.

Independent Non-executive Directors

Mr. MA Ji ("Mr. Ma")

Mr. Ma, aged 47, was appointed as an INED on 20 April 2022. Mr. Ma graduated from Peking University in 2000 with a bachelor's degree in economics, and China Europe International Business School in 2016 with an executive master of business administration degree. He is a member of the Chinese Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Ma is now the chief financial officer of Yuanli Juhe (Chongqing) Information Technology Co., Ltd. (原力聚合（重慶）信息技術有限公司). Prior to that, Mr. Ma was the chief financial officer of Autonavi Holdings Limited from 2013 to 2014, the senior director of Alibaba Group Holding Limited, a company listed on the Stock Exchange (stock code: 9988) from 2014 to 2015, the vice president of JD.com, Inc., a company listed on NASDAQ and the Stock Exchange (stock code: JD and 9618) from 2015 to 2021 and the chief financial officer of YQNLink from 2021 to January 2025. Mr. Ma worked at Deloitte Touche Tohmatsu CPA Ltd. for over ten years and has extensive financial management experience.

Mr. CHEN Fuquan ("Mr. Chen")

Mr. Chen, aged 60, was appointed as an INED on 25 September 2024. He graduated from the Department of Chemistry of Inner Mongolia University in China in 1986 with a bachelor's degree in science and the EMBA programme of Cheung Kong Graduate School of Business in China with an executive master of business administration degree. Mr. Chen was the head of public affairs at Yili Industrial from 2002 to 2018. He was the deputy secretary general of the China Dairy Industry Association in 2019. Mr. Chen joined the China Nutrition and Health Food Association in 2021 and had been the chief engineer and the secretary general of the infant formula sub-committee. Since 2024, he has been the deputy director of the infant formula sub-committee. Mr. Chen has over 23 years of experience in the research, consultation and formulation of policies, regulations, standards and management methods for the Chinese dairy industry.

Mr. Aidan Maurice COLEMAN ("Mr. Coleman")

Mr. Coleman, aged 69, was appointed as an INED on 6 December 2018. Mr. Coleman graduated with a Bachelor of Arts degree in Economics and Psychology from The University of Auckland in 1978 and a Bachelor of Business Studies degree in marketing from Massey University of New Zealand in 1991. He is a founder and currently the managing director of Longpoint Consulting Pty. Ltd., which provides private consulting and advisory services to various companies in Australia and New Zealand including retailers, dairy trading companies and FMCG marketing businesses. He has over 32 years of extensive experience in the manufacturing and marketing of consumer and food-service food and agricultural products. Prior to joining Longpoint Consulting Pty. Ltd., Mr. Coleman was the chief executive officer of Bega Cheese Limited (stock code: BGA.ASX), a company listed on the Australian Securities Exchange, until 2017. He was also the chief executive officer of Tatura Milk Industries Ltd. ("**Tatura**"), a wholly-owned subsidiary of Bega Cheese Limited, from 2008 to 2011 and an executive director of Tatura from 2011 to 2017. Prior to joining Tatura, he was the managing director of Fonterra Brands (Australia) Pty. Ltd from 2005 to 2007, an Australian company which manufactures, markets and distributes dairy and non-dairy products.

SENIOR MANAGEMENT

Mr. WANG Wensong ("Mr. Wang")

Mr. Wang, aged 41, was appointed as the chief financial officer (the "**CFO**") of the Company on 22 February 2023 and the secretary of the Board on 12 September 2023. He graduated from Simon Fraser University in Canada in 2008 with a bachelor's degree majoring in Finance and Accounting and graduated from the University of Toronto in 2018 with a Master of Business Administration degree. He is a member of the Chartered Professional Accountants of Canada, the American Institute of Certified Public Accountants, and the Chartered Financial Analyst (CFA) Institute. Mr. Wang joined Yili Industrial in January 2019 and had been the finance director of the financial management department and the head of the mergers and acquisitions department. Prior to that, Mr. Wang was mainly engaged in accountancy practices and worked for Deloitte and PricewaterhouseCoopers in the PRC and Canada for nearly 10 years. Mr. Wang also has extensive experience in financial management.

Mr. LI Wei ("Mr. Li")

Mr. Li, aged 44, was appointed as the chief research and development officer of the Company on 17 January 2024. He joined the Group in June 2022 and has been the director of Ausnutria Institute of Food and Nutrition since August 2022. Mr. Li graduated from the School of Biological Engineering of the Tianjin University of Science & Technology. Prior to joining the Group, he was the deputy R&D director of the milk powder business unit of Yili Industrial. He worked in the field of R&D of milk powder for more than 20 years and has extensive experience in product development and R&D management of IMF and milk powder for special medical purposes.

羅兵咸永道

To the Shareholders of Ausnutria Dairy Corporation Ltd
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Ausnutria Dairy Corporation Ltd (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 62 to 159, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill
- Assessment of net realisable value of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill *Refer to Note 4.4 (Critical judgements and accounting estimates), Note 19 (Goodwill) and Note 42.7 (Summary of other potentially material accounting policies) to the Group's consolidated financial statements.* As at 31 December 2024, the net carrying value of goodwill was RMB368 million. In assessing the recoverable amounts of the Group's cash generating units ("CGUs") that include the goodwill, management determined the value-in-use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • revenue growth rates; • gross margin; and • discount rates. We focused on this area because of the material amount of goodwill balance as well as the high degree of uncertainties associated with estimating the future operating performance of these CGUs, including the complexity and subjectivity of management estimates involved in determining the valuations and the appropriateness of the significant assumptions adopted.	We have performed the following procedures: We obtained an understanding of the management's internal control and assessment process of the impairment assessment of goodwill, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors in determining the valuations. We compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias and to assess the effectiveness of management's estimation process. We assessed management's future cash flow forecasts and the calculation of the value-in-use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing and challenging the key assumptions, including the revenue growth rates, and the gross margin, by comparing them with the historical operating results and future operating plans of the relevant businesses; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and the market risk premium; • assessing and challenging the appropriateness of other key input data by comparing with historical data or future business plans; and • testing the mathematical accuracy of the discounted cash flow calculations.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill (continued)	We assessed management's sensitivity analysis to evaluate the assumptions to which the outcomes of the discounted cash flows were more sensitive and the degree to which and likelihood that these assumptions might move to trigger an impairment. We assessed the adequacy of the disclosures related to the impairment assessment of goodwill in the context of IFRS Accounting Standards. Based on the work performed, we found that management's judgements and estimates in connection with the impairment assessment of goodwill were supported by the evidence we obtained.
Assessment of net realisable value of inventories *Refer to Note 4.7 (Critical judgements and accounting estimates), Note 23 (Inventories) and Note 42.10 (Summary of other potentially material accounting policies) to the Group's consolidated financial statements.* As at 31 December 2024, the Group's balance of inventory was RMB1,930 million, against which a write-down of RMB111 million was made during the year. Inventories are carried at the lower of cost and net realisable value. The Group performs regular reviews of the carrying amounts of inventories to determine whether any write-down of inventories to net realisable value is required after considering the expiration dates and conditions of inventories, and the future sales forecast. We focused on this area because of the material amount of inventory balance, estimation uncertainty in the determination of net realisable value of inventories, the subjectivity of future sales forecast and the significance of management judgements applied.	We have performed the following procedures: We obtained an understanding of the management's internal controls and assessment process of net realisable value of inventories, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors in determining net realisable value of inventories. We evaluated the outcome of prior period assessment of net realisable value of inventories to assess whether there was management bias in the relevant policies of write-down of inventories and to assess the effectiveness of the management's estimation process. We evaluated and validated the key controls related to the assessment of net realisable value of inventories, including the information technology general controls and system reports used by management to assess net realisable value of inventories. We observed physical inventory conditions and checked the expiration dates of inventories on a sample basis during stocktake process, and compared with management's report where slow moving, damaged or obsolete inventory items were identified. We obtained and compared, on a sample basis, the recent sales volumes, selling prices, rate of selling expenses and future sales forecast with the key assumptions and data used in determination of net realisable value of inventories. We tested the mathematical accuracy of the calculations of net realisable value of inventories and related write-downs. Based on the work performed, we found that the Group's assessment of net realisable value of inventories and related write-downs was supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 April 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	7,402,439	7,382,007
Cost of sales	7	(4,294,534)	(4,529,457)
Gross profit		3,107,905	2,852,550
Selling and distribution expenses	7	(2,077,247)	(1,907,975)
Administrative expenses	7	(550,048)	(535,412)
Research and development expenses	7	(125,451)	(132,025)
Net impairment losses on financial assets	3.1(b)	(26,008)	(8,543)
Other income, other gains/(losses) – net	10	52,558	13,080
Operating profit		381,709	281,675
Finance costs	11	(51,642)	(57,727)
Share of profits and losses of investments accounted for using the equity method	22	(17,552)	(22,147)
Profit before income tax		312,515	201,801
Income tax expense	12	(65,322)	(32,945)
Profit for the year		247,193	168,856
Attributable to:			
The equity holders of the Company		235,975	174,387
Non-controlling interests		11,218	(5,531)
		247,193	168,856
Earnings per share attributable to the equity holders of the Company			
Basic earnings per share (RMB cents)	14	13.26	9.70
Diluted earnings per share (RMB cents)	14	13.26	9.70

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
Profit for the year	247,193	168,856
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(180,347)	66,277
Item that will not be reclassified to profit or loss		
Remeasurement income on the defined benefit plan, net of tax	740	92
Exchange differences on translation of the Company's financials	64,919	49,523
Total other comprehensive (loss)/income for the year	(114,688)	115,892
Total comprehensive income for the year	132,505	284,748
Attributable to:		
The equity holders of the Company	124,762	283,233
Non-controlling interests	7,743	1,515
	132,505	284,748

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,265,689	3,139,682
Investment property	17	132,365	132,612
Right-of-use assets	18(a)	184,349	140,563
Goodwill	19	368,058	192,225
Other intangible assets	20	501,089	508,366
Investments accounted for using the equity method	22	126,584	318,793
Financial assets at fair value through profit or loss	21	28,385	28,145
Prepayments, deposits and other assets	25	68,654	85,518
Long-term time deposits, with original maturity over one year	26	224,050	40,871
Deferred tax assets	32	364,982	366,119
Total non-current assets		5,264,205	4,952,894
Current assets			
Inventories	23	1,930,251	2,089,409
Trade and bills receivables	24	689,578	590,861
Prepayments, other receivables and other assets	25	263,377	256,088
Income tax recoverable		55,535	101,192
Time deposits	26	206,221	–
Restricted cash	26	9,302	5,712
Cash and cash equivalents	26	1,214,703	2,037,602
Current assets excluding assets classified as held for sale		4,368,967	5,080,864
Assets classified as held for sale	16	28,974	–
Total current assets		4,397,941	5,080,864
Total assets		9,662,146	10,033,758
LIABILITIES			
Non-current liabilities			
Lease liabilities	18(b)	90,177	21,025
Defined benefit plan	30	948	1,823
Deferred revenue	31	78,854	81,020
Deferred tax liabilities	32	71,674	81,339
Other liabilities		10,819	9,096
Total non-current liabilities		252,472	194,303

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities			
Trade and bills payables	27	533,945	516,960
Other payables and accruals	28	661,261	716,229
Contract liabilities	6	233,961	451,316
Bank borrowings	29	2,137,716	2,377,952
Lease liabilities	18(b)	24,503	16,623
Income tax payable		34,809	11,179
Total current liabilities		3,626,195	4,090,259
Total liabilities		3,878,667	4,284,562
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	33	154,173	154,226
Reserves	34	5,567,428	5,539,242
		5,721,601	5,693,468
Non-controlling interests		61,878	55,728
Total equity		5,783,479	5,749,196
Total equity and liabilities		9,662,146	10,033,758

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 62 to 159 were approved by the board of directors on 10 April 2025 and were signed on its behalf by:

Mr. Ren Zhijian
Director

Mr. Zhang Zhi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to the equity holders of the Company										
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Treasury shares RMB'000	Share option reserves RMB'000	Statutory surplus reserves RMB'000	Exchange fluctuation reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2024	154,226	2,993,283	(1,973,634)	–	52,989	181,093	(73,166)	4,358,677	5,693,468	55,728	5,749,196
Comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	235,975	235,975	11,218	247,193
Other comprehensive income for the year											
– Exchange differences on translation	–	–	–	–	–	–	(111,953)	–	(111,953)	(3,475)	(115,428)
– Remeasurement income on the defined benefit plan, net of tax	–	–	–	–	–	–	–	740	740	–	740
Total comprehensive income for the year	–	–	–	–	–	–	(111,953)	236,715	124,762	7,743	132,505
Transactions with owners:											
Repurchase of shares (Note 33)	–	–	–	(980)	–	–	–	–	(980)	–	(980)
Cancellation of shares (Note 33)	(53)	(927)	–	980	–	–	–	–	–	–	–
Final 2023 dividend declared	–	(80,930)	–	–	–	–	–	–	(80,930)	–	(80,930)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(1,282)	(1,282)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	13,532	13,532
Acquisition of non-controlling interest in subsidiaries (Note 38)	–	–	(14,719)	–	–	–	–	–	(14,719)	(13,843)	(28,562)
Total transactions with owners	(53)	(81,857)	(14,719)	–	–	–	–	–	(96,629)	(1,593)	(98,222)
As at 31 December 2024	154,173	2,911,426	(1,988,353)	–	52,989	181,093	(185,119)	4,595,392	5,721,601	61,878	5,783,479

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

	Attributable to the equity holders of the Company									
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Share option reserves RMB'000	Statutory surplus reserves RMB'000	Exchange fluctuation reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2023	156,061	3,089,922	(1,835,772)	52,989	176,946	(181,920)	4,188,345	5,646,571	(81,515)	5,565,056
Comprehensive income:										
Profit for the year	–	–	–	–	–	–	174,387	174,387	(5,531)	168,856
Other comprehensive income for the year										
– Exchange differences on translation	–	–	–	–	–	108,754	–	108,754	7,046	115,800
– Remeasurement income on the defined benefit plan, net of tax	–	–	–	–	–	–	92	92	–	92
Total comprehensive income for the year	–	–	–	–	–	108,754	174,479	283,233	1,515	284,748
Transactions with owners:										
Cancellation of shares (Note 33)	(1,835)	1,835	–	–	–	–	–	–	–	–
Disposal of a subsidiary	–	–	(72,179)	–	–	–	–	(72,179)	85,254	13,075
Final 2022 dividend declared	–	(98,474)	–	–	–	–	–	(98,474)	–	(98,474)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,119)	(5,119)
Increase in non-controlling interests from acquisition of a subsidiary	–	–	–	–	–	–	–	–	67,241	67,241
Acquisition of non-controlling interest in subsidiaries	–	–	(65,683)	–	–	–	–	(65,683)	(11,713)	(77,396)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	65	65
Transfer from retained profits	–	–	–	–	4,147	–	(4,147)	–	–	–
Total transactions with owners	(1,835)	(96,639)	(137,862)	–	4,147	–	(4,147)	(236,336)	135,728	(100,608)
As at 31 December 2023	154,226	2,993,283	(1,973,634)	52,989	181,093	(73,166)	4,358,677	5,693,468	55,728	5,749,196

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows generated from operating activities	36(a)	299,374	224,711
Cash flows from investing activities			
Purchases of property, plant and equipment		(347,268)	(609,974)
Additions to other intangible assets		(38,426)	(74,052)
Payments for acquisition of investments accounted for using the equity method	22	–	(175,506)
Purchases of financial assets at fair value through profit and loss		(28,175)	–
Proceeds from disposal of financial assets at fair value through profit and loss		28,177	1,000
Increase in time deposits with maturity more than 3 months	26	(381,111)	(40,871)
Proceeds from disposal of a subsidiary – net		–	111,021
Proceeds from disposal of property, plant and equipment		30,727	13,652
Proceeds from disposal of other intangible assets		2,277	–
Acquisition of subsidiaries – net	35	(165,366)	21,190
Dividends received	22	–	12,623
Net cash flows used in investing activities		(899,165)	(740,917)
Cash flows from financing activities			
New bank borrowings		926,799	2,450,105
Repayments of bank borrowings		(1,072,912)	(1,624,201)
Payment of lease liabilities (principal)	36(c)	(25,956)	(82,012)
Acquisition of non-controlling interests	38	(28,562)	(77,396)
Contributions from non-controlling shareholders	38	13,532	–
Repurchase of shares		(980)	–
Dividends paid to the equity holders of the Company	13	(80,637)	(98,460)
Dividends paid to non-controlling shareholders		(1,282)	(5,119)
(Increase)/Decrease in restricted cash		(3,590)	119,536
Net cash flows (used in)/generated from financing activities		(273,588)	682,453
Net (decrease)/increase in cash and cash equivalents		(873,379)	166,247
Cash and cash equivalents at beginning of year	26	2,037,602	1,861,860
Effect of foreign exchange rate changes, net		50,480	9,495
Cash and cash equivalents at end of year		1,214,703	2,037,602

The notes on pages 69 to 159 are an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

Ausnutria Dairy Corporation Ltd (the "**Company**") 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 of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 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 research and development, production, marketing and distribution of dairy and related products and nutrition products to its worldwide customers, particularly in the PRC.

In the opinion of the directors, the parent and the ultimate holding company of the Company is Jingang Trade and Yili Industrial, respectively.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

(a) *Compliance with IFRS and HKCO*

These consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards (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 (Cap. 622) ("**HKCO**").

(b) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities are measured at fair value; and
- defined benefit pension plans – plan assets are measured at fair value.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 4.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies

(a) New and amended standards adopted by the Group

The following amendments to accounting standards have been adopted by the Group for the first time to the financial reporting period beginning on 1 January 2024:

		Effective for accounting periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for the reporting period beginning on 1 January 2024 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions:

		Effective for accounting periods beginning on or after
IAS 21 (Amendments)	Lack of exchangeability	1 January 2025
IFRS 9 and IFRS 7 (Amendments)	Amendments to the classification and measurement of financial instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards —Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027

3 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, and cash and bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also considers to enter into derivative transactions, including principally interest rate caps, when necessary. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

3.1 Financial risk factors

(a) *Market risk*

(i) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of variations in market interest rates, as the Group has no significant interest-bearing assets other than cash and cash equivalents and other bank deposits. The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable interest rates and at fixed interest rates expose the Group to cash flow interest risk and fair value interest risk respectively. The Group's borrowings comprise secured and unsecured short-term bank borrowings as disclosed in Note 29.

The Group manages its interest cost using a mix of fixed and variable rate debts. As at 31 December 2024, 100.0% (2023: 100.0%) of the Group's interest-bearing borrowings bore interest at floating rates.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2024		
Euro ("**EUR**")	100	(23,013)
EUR	(100)	23,013
Hong Kong dollars ("**HK$**")	100	(626)
HK$	(100)	626
2023		
EUR	100	(10,351)
EUR	(100)	10,351
HK$	100	(545)
HK$	(100)	545

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk

The Group operates internationally and has a number of subsidiaries operating in various countries and regions, including Mainland China, the Netherlands, Hong Kong, Australia and New Zealand. The Group is therefore exposed to currency risk primarily through transactions which give rise to balances that are denominated in a currency other than the functional currency of the operations in the countries or regions to which the transactions relate.

For the subsidiaries in Mainland China, as the foreign currency denominated balances were not material, the impact of foreign currency risk is insignificant.

For the subsidiaries in the Netherlands, of which the functional currency is EUR, the exposure to foreign currency risk (mainly cash and cash equivalents) at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2024 Cash and cash equivalents RMB'000	31 December 2023 Cash and cash equivalents RMB'000
United States dollars ("US$")	83,174	7,139

As at 31 December 2024, if EUR had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2024 would have been increased/decreased by approximately RMB4,159,000 (2023: increased/decreased by approximately RMB357,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) *Foreign currency risk (continued)*

For the subsidiaries in Hong Kong, the functional currency is HK$, the exposure to foreign currency risk (mainly cash and cash equivalents, trade receivables, other receivables, trade payables and other payables) at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2024			31 December 2023		
	Cash and cash equivalents RMB'000	Trade and other receivables RMB'000	Trade and other payables RMB'000	Cash and cash equivalents RMB'000	Trade and other receivables RMB'000	Trade and other payables RMB'000
RMB	8,148	9,592	(2,530)	23,482	16,292	–
EUR	314	–	(49)	167	9,587	(51)
US$	5,721	361	(49)	–	–	–
Australian dollars ("**AUD**")	3,192	117	(55)	559	–	–

As at 31 December 2024, if HK$ had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2024 would have been increased/decreased by approximately RMB1,238,000 (2023: increased/decreased by approximately RMB2,502,000).

For the subsidiaries in Australia, of which the functional currency is AUD, as the foreign currency denominated balances were not material, the impact of foreign currency risk is insignificant.

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents and other bank deposits, other receivables, as well as credit exposures to customers, including outstanding trade and bills receivables and committed transactions. Majority of the Group's sales are settled in cash by its customers before delivery of goods. Credit sales are made only to selected customers with good credit history. The Group has policies in place to ensure that settlement of trade receivables is followed up on a timely basis.

(i) *Credit risk of cash and cash equivalents*

Cash and cash equivalents mainly refer to cash deposits at banks. To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the countries or regions where the Group entities operate. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade and bills receivables

The Group has trade and bills receivables for provision of sales of goods subject to the expected credit losses ("**ECLs**") model on adoption of IFRS 9.

The Group applies IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

The expected loss rates are based on the payment profiles of sales over a certain period before the reporting period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the economic conditions and performance of domestic and overseas customers with different risk profiles, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Bills receivables are all bank acceptance bills. Since they are substantially issued by state-owned banks and other medium or large sized listed banks, management does not expect that there will be any significant losses from non-performance by these counterparties.

On that basis, the loss allowance as at 31 December 2024 and 2023 was determined as follows for trade receivables:

As at 31 December 2024	Within 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	Over one year RMB'000	Total RMB'000
Mainland China:					
Expected loss rate	0.3%	0.0%	0.3%	7.7%	0.7%
Gross carrying amount – trade receivables (Note 24)	164,796	14,388	2,121	10,439	191,744
Loss allowance	518	3	7	808	1,336
Overseas:					
Expected loss rate	0.4%	1.7%	22.2%	76.8%	7.4%
Gross carrying amount – trade receivables (Note 24)	300,619	129,760	79,040	23,644	533,063
Loss allowance	1,251	2,253	17,565	18,163	39,232

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Credit risk of trade and bills receivables (continued)

As at 31 December 2023	Within 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	Over one year RMB'000	Total RMB'000
Mainland China:					
Expected loss rate	0.4%	0.4%	0.0%	3.8%	0.4%
Gross carrying amount – trade receivables (Note 24)	202,731	24,645	12,795	1,134	241,305
Loss allowance	787	102	1	43	933
Overseas:					
Expected loss rate	0.1%	0.0%	0.0%	48.3%	4.2%
Gross carrying amount – trade receivables (Note 24)	299,526	17,595	11,495	31,022	359,638
Loss allowance	273	–	–	14,996	15,269

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of other receivables

Other receivables mainly include deposits and loans to related parties and other receivables due from third parties.

For these receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience.

The directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

Impairment on other receivables is measured as 12-month ECLs and the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iv) Impairment of financial assets

As at 31 December 2024 and 2023, the loss allowance for trade receivables and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2023	21,950	225	22,175
Increase in loss allowance recognised in the consolidated statement of profit or loss during the year	1,965	6,578	8,543
Receivables written off during the year as uncollectible	(8,723)	(885)	(9,608)
Exchange realignment	1,010	–	1,010
Closing loss allowance as at 31 December 2023	16,202	5,918	22,120
Increase in loss allowance recognised in the consolidated statement of profit or loss during the year	25,595	413	26,008
Receivables written off during the year as uncollectible	(54)	(366)	(420)
Business combination	684	–	684
Exchange realignment	(1,859)	3	(1,856)
Closing loss allowance as at 31 December 2024	40,568	5,968	46,536

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) *Liquidity risk*

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

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

As at 31 December 2024	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying value RMB'000
Lease liabilities	6,519	19,012	51,237	42,542	119,310	114,680
Bank borrowings and interest payables	18,050	2,157,361	–	–	2,175,411	2,137,716
Trade and bills payables (Note 27)	529,186	4,759	–	–	533,945	533,945
Financial liabilities included in other payables and accruals	272,574	137,328	–	–	409,902	409,902
Total	826,329	2,318,460	51,237	42,542	3,238,568	3,196,243
As at 31 December 2023						
Lease liabilities	2,979	13,838	13,483	8,527	38,827	37,648
Bank borrowings and interest payables	27,419	2,409,804	–	–	2,437,223	2,377,952
Trade and bills payables (Note 27)	513,138	3,822	–	–	516,960	516,960
Financial liabilities included in other payables and accruals	299,070	155,342	–	–	454,412	454,412
Total	842,606	2,582,806	13,483	8,527	3,447,422	3,386,972

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group could adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total assets. Net debt is calculated as the sum of bank borrowings, and lease liabilities, less restricted cash, time deposits, long-term time deposits and cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Bank borrowings (Note 29)	(2,137,716)	(2,377,952)
Add: Lease liabilities (Note 18)	(114,680)	(37,648)
Less: Restricted cash (Note 26)	9,302	5,712
Time deposits (Note 26)	206,221	–
Long-term time deposits, with original maturity over one year (Note 26)	224,050	40,871
Cash and cash equivalents (Note 26)	1,214,703	2,037,602
Net debt	(598,120)	(331,415)
Total assets	9,662,146	10,033,758
Gearing ratio	6.2%	3.3%

The increase of the gearing ratio during the year is a result of the increase in net debt of the Netherlands' operation.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

(a) *Fair value hierarchy*

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2024 and 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 : Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 31 December 2024

	Recurring fair value measurements using			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Non-current				
Financial assets at fair value through profit or loss ("**FVTPL**") (Note 21)	–	–	28,385	28,385

As at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Non-current				
Financial assets at FVTPL (Note 21)	–	–	28,145	28,145

There were no transfers among levels of the fair value measurements during the year ended 31 December 2024 (2023: Nil).

The fair values of the above financial assets at FVTPL as at 31 December 2024 and 2023 were determined using market approach.

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will likely differ from the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that might have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. The depreciation provided for the year ended 31 December 2024 was RMB166,285,000 (2023: RMB157,179,000). Further details are included in Note 16 to the consolidated financial statements.

4.2 Useful lives of other intangible assets

The Group determines the estimated useful lives and consequently the related amortisation charges for other intangible assets. These estimates are based on the historical experience of the actual useful lives of those intangible assets of similar nature and functions and by reference with industry experiences. Management will increase the amortisation charges where useful lives are less than previously estimated lives, which may also result in impairment of intangible assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future periods. The amortisation provided for the year ended 31 December 2024 is included in Note 20 to the consolidated financial statements.

4.3 Impairment of non-financial assets (other than goodwill)

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

4.4 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2024 was RMB368,058,000 (2023: RMB192,225,000). No goodwill impairment charge (2023: Nil) was recognised in the consolidated financial statements of 2024 based on the results of the goodwill impairment test. Further details are included in Note 19 to the consolidated financial statements.

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES (continued)

4.5 Sales incentives

There are a large number of sales contracts with distributors in Mainland China, including various incentives provided to distributors in the form of volume rebates, discounts and other promotion and marketing supports. The consideration received or receivable from the distributors is allocated between the products immediately sold and the incentives for distributors' future redemption. The amount allocated to the incentives is recorded as a contract liability and deferred until the incentives are redeemed. Such calculation and allocation involved management consideration of various contract terms and forms of the sales incentive program. Management is required to use judgement in assessing the nature of sales incentives and whether the payments to customers are in exchange of distinct goods and services.

4.6 Provision for ECLs on trade receivables

The Group uses a provision matrix to calculate the ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is included in Note 3.1(b) and Note 24 to the consolidated financial statements.

4.7 Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion, selling expense and related tax. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

4.8 Deferred income tax assets

Deferred income tax assets are mainly recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred income tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to carried-forward tax losses as at 31 December 2024 was RMB279,323,000 (2023: RMB285,690,000). The amount of unrecognised deferred income tax assets as at 31 December 2024 was RMB83,607,000 (31 December 2023: RMB111,740,000) in respect of tax losses of RMB373,447,000 (31 December 2023: RMB532,497,000). Further details are contained in Note 32 to the consolidated financial statements.

5 OPERATING SEGMENT INFORMATION

The Company's board of directors examines the Group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

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

Nutrition products segment: comprises the manufacturing and sale of nutrition products (mainly including probiotic related products and gut relief 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, restricted cash, time deposits and long-term time deposits as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings as these liabilities are managed on a group basis.

5 OPERATING SEGMENT INFORMATION (continued)

(a) Segment results and assets and liabilities

	Dairy and related products RMB'000	Nutrition products RMB'000	Total RMB'000
Year ended 31 December 2024			
Segment revenue			
Sales to external customers (Note 6)	7,097,880	304,559	7,402,439
Rental income (Note 10)	9,835	–	9,835
Segment results	357,324	(5,603)	351,721
Reconciliation:			
Segment results			351,721
Interest income (Note 10)			37,440
Unallocated finance costs (other than interest on lease liabilities) (Note 11)			(49,877)
Corporate and other unallocated expenses			(26,769)
Profit before tax			312,515
Other segment information			
Cost of goods sold	4,119,973	174,561	4,294,534
Selling and distribution expenses	1,963,650	113,597	2,077,247
Impairment losses recognised in profit or loss	130,770	6,139	136,909
Share of profits and losses of investments accounted for using the equity method (Note 22)	(17,574)	22	(17,552)
Depreciation and amortisation	245,084	36,020	281,104
Capital expenditure*	367,084	5,728	372,812
As at 31 December 2024			
Segment assets	7,963,411	431,095	8,394,506
Reconciliation:			
Elimination of intersegment receivables			(386,636)
Corporate and other unallocated assets			1,654,276
Total assets			9,662,146
Segment liabilities	1,750,856	376,731	2,127,587
Reconciliation:			
Elimination of intersegment payables			(386,636)
Corporate and other unallocated liabilities			2,137,716
Total liabilities			3,878,667

5 OPERATING SEGMENT INFORMATION (continued)

(a) Segment results and assets and liabilities (continued)

	Dairy and related products RMB'000	Nutrition products RMB'000	Total RMB'000
Year ended 31 December 2023			
Segment revenue			
Sales to external customers (Note 6)	7,097,545	284,462	7,382,007
Rental income (Note 10)	4,475	–	4,475
Segment results	297,583	(36,479)	261,104
Reconciliation:			
Segment results			261,104
Interest income (Note 10)			35,706
Unallocated finance costs (other than interest on lease liabilities) (Note 11)			(55,066)
Corporate and other unallocated expenses			(39,943)
Profit before tax			201,801
Other segment information			
Cost of goods sold	4,371,952	157,505	4,529,457
Selling and distribution expenses	1,812,475	95,500	1,907,975
Impairment losses recognised in profit or loss	303,477	3,570	307,047
Share of profits and losses of investments accounted for using the equity method (Note 22)	(22,171)	24	(22,147)
Depreciation and amortisation	232,896	17,773	250,669
Capital expenditure*	554,185	110,414	664,599
As at 31 December 2023			
Segment assets	7,939,880	470,334	8,410,214
Reconciliation:			
Elimination of intersegment receivables			(460,641)
Corporate and other unallocated assets			2,084,185
Total assets			10,033,758
Segment liabilities	1,857,739	509,512	2,367,251
Reconciliation:			
Elimination of intersegment payables			(460,641)
Corporate and other unallocated liabilities			2,377,952
Total liabilities			4,284,562

* Capital expenditure consist of additions to property, plant and equipment and other intangible assets.

5 OPERATING SEGMENT INFORMATION (continued)

(b) Other segment disclosures

(i) The non-current asset information based on the locations of the assets and excluding deferred tax assets is as follows:

	2024 RMB'000	2023 RMB'000
The PRC	1,373,689	1,255,851
The Netherlands	3,342,161	3,088,252
Australia and New Zealand	183,373	242,672
	4,899,223	4,586,775

(ii) Information about major customers

During the years ended 31 December 2024 and 2023, there was no revenue from a single external customer accounting for 10% or more of the Group's total revenue (2023: Nil).

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	7,402,439	7,382,007

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Year ended 31 December 2024		
	Dairy and related products RMB'000	Nutrition products RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	7,092,510	304,559	7,397,069
Rendering services	5,370	–	5,370
Total revenue from contracts with customers	7,097,880	304,559	7,402,439
Geographical markets			
The PRC	5,364,450	296,696	5,661,146
Europe	979,538	–	979,538
Middle East	330,492	–	330,492
North and South America	265,532	–	265,532
Southeast Asia	72,130	–	72,130
Australia	21,695	7,863	29,558
Others	64,043	–	64,043
Total revenue from contracts with customers	7,097,880	304,559	7,402,439
Timing of revenue recognition			
At a point in time	7,092,510	304,559	7,397,069
Over time	5,370	–	5,370
Total revenue from contracts with customers	7,097,880	304,559	7,402,439

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(a) Disaggregated revenue information (continued)

	Year ended 31 December 2023		
	Dairy and related products RMB'000	Nutrition products RMB'000	Total RMB'000
Type of goods or services			
Sale of goods	7,093,462	284,462	7,377,924
Rendering services	4,083	–	4,083
Total revenue from contracts with customers	7,097,545	284,462	7,382,007
Geographical markets			
The PRC	5,611,092	276,697	5,887,789
Europe	831,903	–	831,903
Middle East	291,660	–	291,660
North and South America	179,217	–	179,217
Southeast Asia	121,739	–	121,739
Australia	24,312	7,765	32,077
Others	37,622	–	37,622
Total revenue from contracts with customers	7,097,545	284,462	7,382,007
Timing of revenue recognition			
At a point in time	7,093,462	284,462	7,377,924
Over time	4,083	–	4,083
Total revenue from contracts with customers	7,097,545	284,462	7,382,007

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract liabilities

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Contract liabilities	233,961	451,316

Contract liabilities include considerations received from customers in advance and the fair value of sales incentives not yet redeemed.

Details of contract liabilities are set out below:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Short-term advances received from customers for the sale of goods and deferred sales incentives	233,961	451,316

Set out below is the amount of revenue recognised from:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Amounts included in contract liabilities at the beginning of the year	451,316	1,036,288

Significant changes in contract liabilities

Contract liabilities for customer contracts decreased by RMB217,355,000 due to acceleration of sales incentives consumption.

(c) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the goods to the customers where payment in advance is normally required.

Customers mainly referring to distributors, are entitled to incentives according to the sales incentive program which results in allocation of a portion of the transaction price to the incentives entitled by the distributors. Revenue is recognised when the incentives are redeemed.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(c) Performance obligations (continued)

Sales of goods (continued)

In addition, the Group updates its estimates of the incentives that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

All the remaining performance obligations are expected to be recognised within one year.

(d) Accounting policies of revenue recognition

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

Sales of goods

The Group manufactures and sells dairy related products and nutrition products in the market. Sales are recognised when control of the products has transferred. Control is considered to be transferred at the point in time when the products have been delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery has occurred when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered, since this is the point in time when the consideration is unconditional because only the passage of time is required before the payment is due.

For certain payments to customers for promotion activities, the Group did not provide a distinct good or service to customers and therefore recorded as a deduction of sales price.

Sales incentive program

The Group operates the sales incentive program to provide additional incentives to distributors and customers that provide a material right to each of them when they purchase products of the Group.

The sales incentives can then be redeemed for free products, subject to a minimum number of incentives being obtained. The consideration received or receivable from the products sold is allocated between the incentives earned by the distributor incentive program members and the other components of the sales transactions. The amount allocated to the incentives earned by the distributor incentive program members, based on the relative stand-alone selling prices, is deferred with a contract liability recognised and the related contract liabilities are recognised as revenue until the incentives are redeemed when the Group fulfils its obligations to supply products.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(d) Accounting policies of revenue recognition (continued)

Rendering services

The Group provides product processing services to customers. Revenue from providing services is recognised over a period of time based on the stage of completion of such service, which is determined by the proportion of costs incurred to the estimated total costs. As at the balance sheet date, the Group reassesses the stage of completion so as to better reflect the changes in obligation performance.

Trade receivables are recognised when the Group has an unconditional right to collection.

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and research and development expenses were analysed as follows:

	Notes	2024 RMB'000	2023 RMB'000
Raw materials, packaging materials, consumables and purchased commodity used		3,005,379	3,726,729
Changes in inventories of finished goods		276,862	(313,745)
Employee benefit expenses, including directors' emoluments	8	1,358,098	1,323,809
Promotion and advertising expenses		1,215,949	1,077,724
Depreciation of property, plant and equipment	16	166,285	157,179
Depreciation of investment property	17	4,900	4,311
Depreciation of right-of-use assets	18	19,570	23,219
Amortisation of other intangible assets	20	90,349	65,960
Transportation expenses		137,824	135,054
Office expenses		115,733	114,558
Impairment of property, plant and equipment	16	89	25,099
Write-down of inventories to net realisable value		110,812	273,405
Consulting expenses		101,775	71,300
Travel and entertainment expenses		73,958	63,733
Laboratory expenses		73,408	82,116
Repair and maintenance expenses		71,275	65,473
Sampling expenses		55,742	54,022
Short-term rental expenses	18	38,369	55,975
Auditors' remunerations			
– Audit and other assurance services		13,530	12,935
– Non-audit and other non-assurance services		235	1,145
Others		117,138	84,868
		7,047,280	7,104,869

8 EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses (including directors' remuneration (Note 9)) are as follows:

	2024 RMB'000	2023 RMB'000
Wages, salaries and staff expenses	956,055	976,312
Temporary staff costs	225,807	129,565
Other employee related expenses	109,804	129,164
Pension scheme contributions*	66,432	88,768
	1,358,098	1,323,809
Restructuring costs (Note 10)	7,899	38,873
Total employee benefit expenses	1,365,997	1,362,682

* As at 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(a) Directors' remuneration

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

	2024 RMB'000	2023 RMB'000
Fees	1,496	2,610
Other emoluments:		
Salaries, allowances and benefits in kind	7,126	9,621
Pension scheme contributions	259	350
	7,385	9,971
	8,881	12,581

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Directors' remuneration (continued)

Year ended 31 December 2024	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Ren Zhijian	–	3,232	158	3,390
Bartle van der Meer	273	1,764	–	2,037
Zhang Zhi	–	2,130	101	2,231
	273	7,126	259	7,658
Non-executive directors:				
Han Shixiu*	–	–	–	–
Yan Junrong	–	–	–	–
Zou Ying*	–	–	–	–
Zhang Zhanqiang**	67	–	–	67
Sun Donghong**	67	–	–	67
	134	–	–	134
Independent non-executive directors:				
Ma Ji	365	–	–	365
Chen Fuquan*	86	–	–	86
Aidan Maurice Coleman	319	–	–	319
Song Kungang***	319	–	–	319
	1,089	–	–	1,089
	1,496	7,126	259	8,881

* appointed on 25 September 2024
** resigned on 25 September 2024
*** resigned on 30 July 2024

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Directors' remuneration (continued)

Year ended 31 December 2023	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Ren Zhijian*	–	1,965	162	2,127
Zhang Zhi*	–	2,177	106	2,283
Yan Weibin**	270	1,907	43	2,220
Bartle van der Meer	270	1,743	–	2,013
Ng Siu Hung**	270	1,829	39	2,138
	810	9,621	350	10,781
Non-executive directors:				
Zhang Zhanqiang	270	–	–	270
Sun Donghong	270	–	–	270
Zhang Lingqi***	270	–	–	270
Yan Junrong****	–	–	–	–
	810	–	–	810
Independent non-executive directors:				
Ma Ji	360	–	–	360
Aidan Maurice Coleman	315	–	–	315
Song Kungang	315	–	–	315
	990	–	–	990
	2,610	9,621	350	12,581

* appointed on 12 September 2023
** resigned on 12 September 2023
*** resigned on 24 November 2023
**** appointed on 24 November 2023

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Five highest paid individuals

The five highest paid individuals during the year include one (2023: one) director, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2023: four) non-director highest paid employees of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	13,858	12,923
Pension scheme contributions	259	282
	14,117	13,205

The number of non-director highest paid employees whose remuneration fell with the following bands is as follows:

	Number of employees	
	2024	2023
HK$2,500,001 to HK$3,000,000	–	2
HK$3,000,001 to HK$3,500,000	2	–
HK$3,500,001 to HK$4,000,000	1	–
HK$4,500,001 to HK$5,000,000	–	2
HK$5,000,001 to HK$5,500,000	1	–
	4	4

10 OTHER INCOME, OTHER GAINS/(LOSSES) – NET

	Notes	2024 RMB'000	2023 RMB'000
Other income			
Government grants		43,713	80,446
Interest income		37,440	35,706
Rental income	17	9,835	4,475
		90,988	120,627
Other gains/(losses) – net			
Restructuring costs		(7,899)	(38,873)
Foreign exchange losses, net		(5,993)	(23,161)
Charitable donations		(2,632)	(6,406)
Others		(21,906)	(39,107)
		(38,430)	(107,547)

The other income from government grants represented incentives received from local governments in Mainland China, where the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies relating to these grants.

11 FINANCE COSTS

	Notes	2024 RMB'000	2023 RMB'000
Interest on bank borrowings		97,022	83,922
Interest on lease liabilities	18(c)	1,765	2,661
		98,787	86,583
Amount capitalised in construction in progress		(47,145)	(35,664)
Total interest expense		51,642	50,919
Loss on interest rate caps		–	6,808
		51,642	57,727

12 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 Mainland China income tax laws, enterprises are subject to corporate income tax ("**CIT**") at a rate of 25% (2023: 25%). The Group's subsidiaries, Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**"), Bioflag Co., Ltd. and Bioflag (Anhui) Co., Ltd. (subsidiaries of Bioflag) were designated as High-tech Enterprises and were granted a preferential CIT rate of 15% for the year ended 31 December 2024 (2023: 15%). These three PRC subsidiaries were entitled to claim super tax deductions in relation to the qualifying expenditures under the Research and Development Tax Incentive regime in Changsha City, Huai'an City and Suzhou City of Mainland China.

Under the Netherlands income tax laws, enterprises are subject to the Netherlands CIT rate of 19% (2023: 19%) for the first EUR200,000 (2023: EUR200,000) taxable profits and 25.8% (2023: 25.8%) for taxable profits exceeding EUR200,000 (2023: EUR200,000). Ausnutria B.V. and its subsidiaries (the "**Ausnutria B.V. Group**") have been granted a preferential tax benefit in April 2021 for the assessable profits generated 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 rate is 9% for the period from 2021 to 2024, on earnings that were or are to be generated by qualifying intellectual property.

Under Hong Kong tax laws, enterprises are subject to Hong Kong profit tax at a rate of 16.5% (2023: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime, where the first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5%.

A reconciliation of tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	312,515	201,801
Income tax at the statutory income tax rates of the respective jurisdictions	58,201	52,466
Tax effects on preferential tax rates	(8,348)	(16,417)
Non-deductible items and others, net	34,036	4,111
Profits and losses attributable to associates and joint ventures	4,537	5,002
Additional deduction of research and development and other expenses	(12,255)	(10,446)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	17,100	22,162
Utilisation of previously unrecognised tax losses	(25,313)	(751)
Withholding tax on profits retained by PRC subsidiaries	12,704	10,467
Adjustments for current tax of prior periods	(1,982)	(4,713)
Deferred tax related to loss of investment in a subsidiary	(18,501)	(28,936)
Pillar II impact	5,143	–
Income tax in the consolidated statement of profit or loss	65,322	32,945

12 INCOME TAX (continued)

(a) The Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules

The Group has operations in Mainland China, Hong Kong, Taiwan, the Netherlands, United Arab Emirates, United States of America, Australia, Cayman Islands and British Virgin Islands. It is within the scope of the OECD Pillar Two model rules. The Pillar Two model rules in the Netherlands come into effect from 1 January 2024. As of the reporting date, Hong Kong, United Arab Emirates and Australia have announced the implementation regarding Pillar Two model rules which have not come into effect. No public announcements in respect of the implementation regarding Pillar Two model rules in other jurisdictions have been announced as of the reporting date.

The Group entities, except for those subsidiaries in the Netherlands, applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group will incur top-up taxes due to the Pillar Two legislation that became effective on 1 January 2024. Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion Proposal ("**GloBE**") effective tax rate in each jurisdiction and the 15% minimum rate.

The Group has performed an assessment of the potential exposure of the Group with respect to Pillar Two model rules. The assessment is based on the most recently available financial information and financial performance of the Group's entities in the respective jurisdictions.

The Group has estimated that the effective tax rates exceed 15% in most of the jurisdictions in which the Group entities operate, except for certain jurisdictions in Middle East where two of the Group's subsidiaries operate. As these entities are subsidiaries of Ausnutria B.V. Group, a sub-group in the Netherlands, where Pillar Two has already taken effect for the financial year ended 31 December 2024, a current income tax expense of approximate RMB5,143,000 was recognised in the statement of profit or loss of Ausnutria B.V. Group, based on management's assessment.

13 DIVIDENDS

	2024 RMB'000	2023 RMB'000
Proposed final dividend – HK$6 cents (2023: HK$5 cents) per ordinary share	98,594	80,659

The dividends paid by the Company in 2024 and 2023 for dividends related to the years ended 31 December 2023 and 2022 amounted to approximately RMB80,637,000 and RMB98,460,000, respectively.

A dividend in respect of the year ended 31 December 2024 of HK$6 cents per share, amounting to a total dividend of RMB98,594,000, was proposed by the directors on the board of directors' meeting held on 10 April 2025 and is to be proposed for approval at the annual general meeting of the Company to be held on 29 May 2025. These consolidated financial statements do not reflect this dividend payable.

14 EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 1,779,927,174 (2023: 1,797,098,142) in issue during the year.

	2024	2023
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations (RMB'000)	235,975	174,387
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	1,779,927,174	1,797,098,142
Basic and diluted		
– For profit for the year (RMB cents)	13.26	9.70

Diluted earnings per share for the years ended 31 December 2024 and 2023 were the same as the basic earnings per share as there were no dilutive instruments during the years.

15 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2024 are set at below:

Name	Place of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Direct:				
Spring Choice Limited	British Virgin Islands	US$10,800	100	Investment holding
Indirect:				
Ausnutria Dairy Company Limited	Hong Kong	HK$1 EUR14,517,698	100	Investment holding and the provision of financing services to the Group
Ausnutria Australia Dairy Pty Ltd	Australia	AUD500,000	100	Investment holding
Ausnutria China[2]	Mainland China	RMB168,633,832	100	Production, marketing and distribution of dairy and related products in Mainland China
Ausnutria Dairy (Dutch) Cooperatief U.A.	The Netherlands	EUR13,800,000	100	Investment holding
Ausnutria B.V.	The Netherlands	EUR10,465,000	100	Investment holding
Ausnutria Kampen B.V.	The Netherlands	EUR21,500	100	Manufacturing of dairy and related products
Lypack Leeuwarden B.V.	The Netherlands	EUR18,151	100	Processing and packaging of dairy and related products
Ausnutria Heerenveen Hector B.V.	The Netherlands	EUR1,000	100	Processing and packaging of dairy and related products
Ausnutria Heerenveen Pluto B.V.	The Netherlands	EUR1,000	100	Processing and packaging of dairy and related products
Ausnutria Nutrition B.V.	The Netherlands	EUR18,000	100	Marketing and distribution of goat milk nutrition products
Hyproca Nutrition (Hongkong) Company Limited	Hong Kong	HK$1,000,000	100	Marketing and distribution of goat milk nutrition products in Hong Kong and Mainland China
Hyproca Nutrition Company Limited[2]	Mainland China	RMB10,000,000	100	Marketing and distribution of dairy products in Mainland China
Ausnutria Private Label B.V.	The Netherlands	EUR30,403	100	Marketing and distribution of dairy products under a private label
Ausnutria Dairy Ingredients B.V.	The Netherlands	EUR18,200	100	Marketing and distribution of dairy and related products
Holland Goat Milk B.V.	The Netherlands	EUR12,953	100	Collection of goat milk in the Netherlands
Ausnutria Nutrition Europe B.V.	The Netherlands	EUR18,000	100	Marketing and distribution of dairy products in Europe
Hyproca Nutrition East Limited	Hong Kong	HK$4,000,000	51	Marketing and distribution of dairy products
Hyproca Nutrition ME Trading LLC	Dubai	United Arab Emirates Dirham 300,000	100	Marketing and distribution of dairy products in the Middle East

15 SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and place of operation	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Hyproca Nutrition USA Inc.	United States of America	US$1	100	Marketing and distribution of dairy products in the United States
Hyproca Bio-Science (Hong Kong) Company Limited	Hong Kong	HK$50,000,000	100	Marketing and distribution of dairy products in Hong Kong
Hyproca Bio-Science Co., Ltd.[2]	Mainland China	RMB10,000,000	100	Marketing and distribution of dairy products in Mainland China
Changsha Kangsude Nutrition Food Co., Limited[2]	Mainland China	RMB22,000,000	100	Marketing and distribution of dairy products in Mainland China
Ausnutria Pty Ltd	Australia	AUD56,428,571	100	Investment holding
ADP Holdings (Australia) Pty Ltd ("**ADP**")	Australia	AUD14,002,000	100	Investment holding
Australian Dairy Park Pty Ltd	Australia	AUD14,000,000	100	Manufacturing and distribution of dairy and related products
Nutrition Care Pharmaceuticals Pty Ltd	Australia	AUD44,000,000	100	Manufacturing and distribution of nutrition products
Ozfarm Royal Pty Ltd ("**Ozfarm**")	Australia	AUD3,000,100	100	Marketing and distribution of dairy and related products in Australia
Aunulife Pty Ltd	Australia	AUD250,000	100	Development, distribution and sale of probiotic products
Nutriunion (Hong Kong) Company Ltd.	Hong Kong	HK$39,000,100	100	Marketing and distribution of nutrition products in Mainland China and Hong Kong
Nutriunion (Guangzhou) Interconnection Technology Co., Ltd.[2]	Mainland China	RMB86,000,000	100	Marketing and distribution of nutrition products in Mainland China
Aunulife Bio-Science Co. Ltd. ("**Aunulife**")[2]	Mainland China	RMB50,000,000	70	Marketing and distribution of nutrition products in Mainland China
Bioflag	The Cayman Islands	US$50,000,000	87	Research and development, manufacturing and sale of probiotics and fermentation-related products
Amalthea Group B.V. [1]	The Netherlands	EUR2,000,000	100	Manufacturing and distribution of cheese related products

[1] On 18 October 2024, the Group acquired the remaining 50% of equity interests in and obtained the control of Amalthea Group B.V. Further details are included in Note 35 of the consolidated financial statements.

[2] These companies are registered as companies with limited liability under PRC law.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
2024							
As at 1 January 2024	1,283,936	629,356	6,940	21,542	41,239	1,156,669	3,139,682
Reclassification	16,931	95	35	(2,117)	(14,944)	–	–
Business combination (Note 35)	–	90,767	–	2,342	–	30,916	124,025
Additions	2,815	14,717	12	4,487	2,403	314,481	338,915
Disposals	(15,364)	(16,597)	(2,004)	(242)	–	(2,317)	(36,524)
Depreciation during the year (Note 7)	(63,623)	(87,657)	(2,277)	(6,430)	(6,298)	–	(166,285)
Reversal of impairment during the year	2,684	11,176	–	21	–	–	13,881
Transfer from construction in progress	6,470	21,088	28	1,708	–	(29,294)	–
Transfer to investment property (Note 17)	(9,624)	–	–	–	–	–	(9,624)
Transfer to assets classified as held for sales (d)	(5,663)	(23,280)	–	(31)	–	–	(28,974)
Exchange realignment	(31,371)	(20,146)	(35)	(380)	–	(57,475)	(109,407)
As at 31 December 2024	1,187,191	619,519	2,699	20,900	22,400	1,412,980	3,265,689
As at 31 December 2024							
Cost	1,592,260	1,147,459	16,540	62,906	32,286	1,412,980	4,264,431
Accumulated depreciation and impairment	(405,069)	(527,940)	(13,841)	(42,006)	(9,886)	–	(998,742)
Net carrying amount	1,187,191	619,519	2,699	20,900	22,400	1,412,980	3,265,689

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
2023							
As at 1 January 2023	1,113,489	314,896	4,010	222,956	42,931	823,559	2,521,841
Reclassification	–	81,187	–	(81,187)	–	–	–
Business combination	33,330	17,805	208	5,544	5,925	36,317	99,129
Additions	20,916	46,327	9,650	1,212	2,538	510,596	591,239
Disposals	–	(2,356)	(3,708)	(2,963)	(3,767)	–	(12,794)
Disposal of a subsidiary	(5,845)	(1,559)	–	(116,671)	–	–	(124,075)
Depreciation during the year (Note 7)	(58,175)	(80,887)	(3,366)	(8,275)	(6,476)	–	(157,179)
Impairment during the year (Note 7)	(4,824)	(20,237)	–	(38)	–	–	(25,099)
Transfer from construction in progress	157,297	109,689	7	3,277	–	(270,270)	–
Transfer to investment property (Note 17)	(13,233)	–	–	–	–	–	(13,233)
Transfer from right-of-use assets (Note 18)	–	146,887	–	–	–	–	146,887
Exchange realignment	40,981	17,604	139	(2,313)	88	56,467	112,966
As at 31 December 2023	1,283,936	629,356	6,940	21,542	41,239	1,156,669	3,139,682
As at 31 December 2023							
Cost	1,619,635	1,074,809	25,493	62,921	85,359	1,156,669	4,024,886
Accumulated depreciation and impairment	(335,699)	(445,453)	(18,553)	(41,379)	(44,120)	–	(885,204)
Net carrying amount	1,283,936	629,356	6,940	21,542	41,239	1,156,669	3,139,682

(a) As at 31 December 2024, the Group's land included in property, plant and equipment with net carrying amounts of EUR7,117,000 (equivalent to approximately RMB53,560,000) (2023: EUR7,117,000, equivalent to approximately RMB55,936,000), and AUD5,235,000 (equivalent to approximately RMB23,594,000) (2023: AUD6,620,000, equivalent to approximately RMB32,094,000) situated in the Netherlands and Australia, respectively, is held as freehold land.

(b) The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year of 4.2% (2023: 5.9%) per annum.

16 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) During the year, the amounts of depreciation expense charged to profit or loss were as follows:

	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment (Note 7)		
– Cost of sales	128,581	118,250
– Selling expenses	6,216	9,300
– Administrative expenses	25,765	24,802
– Research and development expenses	5,723	4,827
	166,285	157,179

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement, the shorter of lease terms, as follows:

Freehold land	Not depreciated
Buildings	25 to 35 years
Leasehold improvement	Shorter of useful lives or lease terms
Plant and machinery	5 to 15 years
Motor vehicles	5 to 10 years
Office equipment	5 to 10 years

See Note 42.4 for the other accounting policies relevant to property, plant and equipment.

(d) Assets classified as held for sale

On 16 January 2024, the Group announced a restructuring in its subsidiary, Ausnutria Ommen B.V., and signed an agreement with a third party for the sales of certain property, plant and equipment assets of Ausnutria Ommen B.V. The disposal of assets is expected to be completed in year 2025. As the consideration of the disposal was higher then the carrying value of the assets (after impairment provision), the impairment provision of the assets made in the previous years, amounting to approximately RMB13,970,000, was reversed and recognised as a gain in the consolidated profit or loss during the year ended 31 December 2024. The associated assets of Ausnutria Ommen B.V. with a net book value of EUR3,850,000 (RMB28,974,000) (after reversal of impairment) was reclassified as held for sale on the consolidated statement of financial position as at 31 December 2024.

17 INVESTMENT PROPERTY

	2024 RMB'000	2023 RMB'000
As at 1 January	132,612	116,925
Transfer from property, plant and equipment (Note 16)	9,624	13,233
Depreciation during the year (Note 7)	(4,900)	(4,311)
Exchange realignment	(4,971)	6,765
As at 31 December	132,365	132,612

The balance represented an investment property which is adjacent to the Group's existing production facilities located in Heerenveen, the Netherlands. The investment property, which is leased to a third party under operating lease, is principally used for the production of tins for selling to the Group as well as other third parties. Further details are included in Note 18 to the consolidated financial statements.

The investment property included the free-hold land on which the property is erected, and the net carrying amount of the land was EUR522,000 (equivalent to approximately RMB3,929,000) (2023: EUR522,000, equivalent to approximately RMB4,103,000) as at 31 December 2024.

The fair value of the investment property as at 31 December 2024 was RMB146,848,000 (2023: RMB160,437,000).

Details of rental income from operating leases where the Group is a lessor are included in Note 18 to the consolidated financial statements.

Depreciation, except for the free-hold land which is not subject to depreciation, is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 to 40 years.

Amounts recognised in profit or loss for investment properties are as follows:

	2024 RMB'000	2023 RMB'000
Rental income		
– Other income (Note 10)	9,835	4,475
Depreciation of investment properties		
– Administrative expenses (Note 7)	(4,900)	(4,311)

See Note 42.5 for the other accounting policies relevant to investment properties.

18 LEASES

The Group as a lessee

The Group acquired land use rights for the land in Mainland China. Lump sum payments were made upfront to acquire the leased land with lease periods of 35 to 50 years, and no ongoing payments will be made under the terms of these land leases. In addition, the Group has lease contracts for buildings, machinery and motor vehicles used in its operations. Leases of buildings and machinery generally have lease terms between 3 and 7 years, while motor vehicles generally have lease terms between 2 and 5 years. The leased assets are recognised as right of use assets, and the corresponding future lease payments are recognised as lease liabilities.

18 LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2023	82,257	166,637	23,043	271,937
Business combination	19,980	1,107	–	21,087
Additions	–	15,320	2,686	18,006
Depreciation charge (Note 7)	(3,660)	(16,752)	(2,807)	(23,219)
Terminations	–	(5,277)	(327)	(5,604)
Transfer to property, plant and equipment (Note 16)	–	(146,887)	–	(146,887)
Exchange realignment	–	4,953	290	5,243
As at 31 December 2023 and 1 January 2024	98,577	19,101	22,885	140,563
Additions	–	5,055	2,849	7,904
Depreciation charge (Note 7)	(4,118)	(12,701)	(2,751)	(19,570)
Terminations	–	(1,017)	(424)	(1,441)
Business combination (Note 35)	–	59,142	320	59,462
Exchange realignment	–	(2,337)	(232)	(2,569)
As at 31 December 2024	94,459	67,243	22,647	184,349

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
As at 1 January	37,648	94,822
New leases	7,904	18,006
Business combination (Note 35)	95,662	1,204
Interest on lease liabilities (Note 11)	1,765	2,661
Payments	(25,956)	(84,673)
Exchange realignment	(2,343)	5,628
As at 31 December	114,680	37,648
Analysed into:		
Current portion	24,503	16,623
Non-current portion	90,177	21,025
	114,680	37,648

The maturity analysis of lease liabilities is disclosed in Note 3.1(c) to the consolidated financial statements.

18 LEASES (continued)

The Group as a lessee (continued)

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities		
– Finance cost (Note 11)	1,765	2,661
Depreciation charge for right-of-use assets (Note 7)		
– Cost of sales	7,163	11,199
– Selling expenses	4,242	4,128
– Administrative expenses	8,165	7,044
– Research and development expenses	-	848
	19,570	23,219
Expense relating to short-term leases (Note 7)	38,369	55,975
Total amount recognised in profit or loss	59,704	81,855

(d) The total cash outflow for leases is disclosed in Note 36(c) to the consolidated financial statements.

The Group as a lessor

The Group leases its investment property (Note 17) consisting of a factory building in the Netherlands under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB9,835,000 (2023: RMB4,475,000) (Note 10).

As at 31 December 2024, the undiscounted lease income receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Within 1 year	6,315	5,061
After 1 year but within 5 years	25,597	20,283
After 5 years	20,133	4,247
	52,045	29,591

See Note 42.6 for the other accounting policies relevant to leases.

19 GOODWILL

	RMB'000
As at 1 January 2023:	
Cost	278,475
Accumulated impairment	(176,152)
Net carrying amount	102,323
As at 1 January 2023	102,323
Business combination	84,703
Exchange realignment	5,199
As at 31 December 2023	192,225
As at 31 December 2023:	
Cost	373,407
Accumulated impairment	(181,182)
Net carrying amount	192,225
As at 1 January 2024	192,225
Business combination (Note 35)	185,699
Exchange realignment	(9,866)
As at 31 December 2024	368,058
As at 31 December 2024:	
Cost	536,483
Accumulated impairment	(168,425)
Net carrying amount	368,058

Impairment testing of goodwill

The Group's goodwill acquired through business combinations is allocated to the following cash-generating units ("**CGU**") for impairment testing:

Dairy and related products segment:

- Amalthea Group B.V. CGU;
- Ausnutria B.V. CGU;
- Youluck CGU;
- ADP CGU; and
- Ozfarm CGU.

19 GOODWILL (continued)

Impairment testing of goodwill (continued)

Nutrition products segment:

- Bioflag nutrition CGU; and
- Nutrition care ("**NC**") nutrition business CGU.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

CGU

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Amalthea Group B.V. (a)	181,089	–
Ausnutria B.V.* (b)	76,424	79,811
Youluck*	2,552	2,656
ADP*	10,657	11,464
Ozfarm*	4,123	4,436
Bioflag nutrition (c)	84,703	84,703
NC nutrition business*	8,510	9,155
	368,058	192,225

* The change in carrying amounts mainly due to foreign exchange difference of translation at year end.

Management has determined the key assumptions as follows:

Compound annual growth rate of revenue during the projection period	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Gross margin (% of revenue)	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant segments and the countries in which they operate.

19 GOODWILL (continued)

Impairment testing of goodwill (continued)

The details of the related key assumptions used in the value-in-use ("VIU") calculation supporting the recoverable amounts of the material goodwill amounts are set out below:

(a) Amalthea Group B.V. CGU

	2024	2023
Compound annual growth rate of revenue during the projection period	7.5%	–
Gross margin (% of revenue)	15.6%	–
Long-term growth rate	2.1%	–
Pre-tax discount rate	12.3%	–

(b) Ausnutria B.V. CGU

	2024	2023
Compound annual growth rate of revenue during the projection period	7.8%	15.3%
Gross margin (% of revenue)	21.9%	17.8%
Long-term growth rate	2.0%	2.2%
Pre-tax discount rate	12.9%	12.4%

(c) Bioflag nutrition CGU

	2024	2023
Compound annual growth rate of revenue during the projection period	20.5%	15.6%
Gross margin (% of revenue)	32.6%	27.4%
Long-term growth rate	2.0%	2.2%
Pre-tax discount rate	13.2%	14.1%

See Note 42.7 (i) for the other accounting policies relevant to goodwill.

20 OTHER INTANGIBLE ASSETS

	Non-patent technology and licence RMB'000	Trademarks RMB'000	Software RMB'000	Milk collection right RMB'000	Customer relationships RMB'000	Total RMB'000
2024						
As at 1 January 2024	194,386	40,092	201,324	72,564	–	508,366
Reclassification	–	(5,949)	–	–	5,949	–
Additions	5,871	–	28,026	–	–	33,897
Business combination (Note 35)	–	–	2,856	–	66,816	69,672
Disposals	(1,372)	–	(1,070)	–	–	(2,442)
Amortisation during the year (Note 7)	(38,203)	(4,978)	(29,394)	(15,460)	(2,314)	(90,349)
Exchange realignment	(7,415)	(2,153)	(4,197)	(2,664)	(1,626)	(18,055)
As at 31 December 2024	153,267	27,012	197,545	54,440	68,825	501,089
As at 31 December 2024:						
Cost	297,947	112,249	332,392	110,110	80,417	933,115
Accumulated amortisation and impairment	(144,680)	(85,237)	(134,847)	(55,670)	(11,592)	(432,026)
Net carrying amount	153,267	27,012	197,545	54,440	68,825	501,089

	Non-patent technology and licence RMB'000	Trademarks RMB'000	Software RMB'000	Milk collection right RMB'000	Total RMB'000
2023					
As at 1 January 2023	139,530	82,335	171,203	78,978	472,046
Reclassification	35,423	(35,423)	–	–	–
Additions	19,765	–	53,595	–	73,360
Business combination	14,925	93	143	–	15,161
Disposals	(143)	(1,043)	(19)	(355)	(1,560)
Disposal of a subsidiary	–	(77)	(3,266)	–	(3,343)
Amortisation during the year (Note 7)	(22,866)	(6,752)	(25,970)	(10,372)	(65,960)
Exchange realignment	7,752	959	5,638	4,313	18,662
As at 31 December 2023	194,386	40,092	201,324	72,564	508,366
As at 31 December 2023:					
Cost	310,363	133,763	311,745	114,990	870,861
Accumulated amortisation and impairment	(115,977)	(93,671)	(110,421)	(42,426)	(362,495)
Net carrying amount	194,386	40,092	201,324	72,564	508,366

20 OTHER INTANGIBLE ASSETS (continued)

During the year, the amounts of amortisation expense charged to profit or loss were as follows:

	2024 RMB'000	2023 RMB'000
Amortisation of other intangible assets (Note 7)		
– Cost of sales	–	144
– Selling expenses	36,397	19,610
– Administrative expenses	45,601	38,666
– Research and development expenses	8,351	7,540
	90,349	65,960

Amortisation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of lease terms as follows:

Non-patent technology and licence	5 to 10 years
Trademarks	5 to 10 years
Software	5 to 10 years
Milk collection right	10 years
Customer relationships	8 to 20 years

See Note 42.7 for the other accounting policies relevant to other intangible assets.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at FVTPL:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income ("**FVOCI**"),
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income ("**OCI**").

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

As at 31 December 2024 and 2023, financial assets at FVTPL comprised the following investments:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Equity investments in unlisted companies		
– MAKUKU.com	28,385	–
– MAKUKU Ltd.	–	20,000
– Nanjing Fenyuhe Enterprise Management Co., Ltd.	–	8,145
	28,385	28,145

During the year ended 31 December 2024, the Group invested in 2.29% equity holding of MAKUKU.com, a company engaged in the business of e-commerce business partner services, brand management and self-brand product distribution. As at 31 December 2024, the fair value of the above unlisted shares held by the Company was USD3,948,769 (equivalent to RMB28,385,000), which was determined using market approach.

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Share of net assets	126,584	223,551
Goodwill on acquisitions	–	95,242
	126,584	318,793

	2024 RMB'000	2023 RMB'000
As at 1 January	318,793	364,368
Additions	–	82,794
Goodwill on acquisitions	–	92,712
Share of losses of associates and joint ventures	(17,552)	(22,147)
Dividends received	–	(12,623)
Transferred to investments in subsidiaries	(167,334)	(192,092)
Exchange realignment	(7,323)	5,781
As at 31 December	126,584	318,793

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Set out below are the associates and joint ventures of the Group as at 31 December 2024 and 2023. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2024	2023			2024	2023
		%	%			RMB'000	RMB'000
Farmel Holding B.V. [1]	The Netherlands	50.0	50.0	Joint venture	Equity method	67,244	92,887
Hangzhou Investment Management Partnership	Mainland China	42.7	42.7	Associate	Equity method	34,243	34,243
CCIC Europe Food Test B.V. Heerenveen	The Netherlands	40.0	40.0	Associate	Equity method	20,071	19,971
Inner Mongolia Yiqi Technology Co., Ltd. [2]	Mainland China	7.0	7.0	Associate	Equity method	3,662	3,585
Folo Holding BV	The Netherlands	50.0	50.0	Joint venture	Equity method	1,364	1
Bella Belle (Hainan) Import and Export Trading Co. Ltd.	Mainland China	35.0	35.0	Associate	Equity method	–	–
Joint ventures disposed in 2024							
Amalthea Group B.V. [3]	The Netherlands	(3)	50.0	Joint venture	Equity method	–	168,106
Dairy protein Cooperation Food BV	The Netherlands	–	50.0	Joint venture	Equity method	–	–
						126,584	318,793

(1) Farmel Holding B.V. and its subsidiaries (the "**Farmel Group**") is principally engaged in the collection and trading of milk and dairy related commodities in Europe. The purpose of the investment is to secure the long term milk supply for the Group's operations in the Netherlands.

(2) Through a shareholder agreement, the Group is guaranteed one seat on the board of Inner Mongolia Yiqi Technology Co., Ltd. and participates in all significant financial and operating decisions. The Group has therefore determined that it has significant influence over this entity, even though it only holds 7.0% of the voting rights.

(3) On 18 October 2024, the Group acquired the remaining 50.0% of equity interests in and obtained the control of Amalthea Group B.V. and the company and its subsidiaries became subsidiaries of the Group. Further details are included in Note 35 to the consolidated financial statements.

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(4) Disclosure about material associates and joint ventures

Summarised financial information of material associates and joint ventures

The tables below provide summarised financial information for the Group's material associates and joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the Group's share of those amounts. The amounts have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policies.

Farmel Group

Summarised statement of financial position	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current assets	738,226	767,673
Non-current assets	171,313	350,834
Current liabilities	(736,379)	(799,785)
Non-current liabilities	(38,672)	(132,948)
Net assets	134,488	185,774
Reconciliation to carrying amounts:		
Opening net assets at 1 January	185,774	213,109
Loss for the year	(44,526)	(37,880)
Exchange realignment	(6,760)	10,545
Closing net assets	134,488	185,774
Group's share in %	50.0	50.0
Group's share in the investee	67,244	92,887
Carrying amount	67,244	92,887

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(4) Disclosure about material associates and joint ventures (continued)

Summarised financial information of material associates and joint ventures (continued)

Farmel Group
Summarised statement of comprehensive income

	2024 RMB'000	2023 RMB'000
Revenue	5,177,538	4,225,690
Interest income	24,648	8,088
Interest expense	(32,203)	(32,680)
Income tax expense	(6,866)	(1,274)
Loss for the year	(44,526)	(37,880)
Total comprehensive income	(44,526)	(37,880)

Amalthea Group
Summarised statement of financial position

	As at 31 December 2023 RMB'000
Current assets	137,029
Non-current assets	138,974
Current liabilities	(104,984)
Non-current liabilities	(24,505)
Non-controlling interests	(786)
Net assets	145,728
Reconciliation to carrying amounts:	
Opening net assets at 1 January	101,011
Investment from the equity holders	32,676
Profit for the year	5,075
Exchange realignment	6,966
Closing net assets	145,728
Group's share in %	50.0
Group's share in the investee	72,864
Goodwill	95,242
Carrying amount	168,106

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(4) Disclosure about material associates and joint ventures (continued)

Summarised financial information of material associates and joint ventures (continued)

Amalthea Group B.V. Summarised statement of comprehensive income	2024 RMB'000	2023 RMB'000
Profit for the year	4,527	5,075

(5) Individually immaterial associates

In addition to the interests in material associates and joint ventures disclosed above, the information about the Group's interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method is as follows:

	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial associates	59,340	57,800
Aggregate amounts of the Group's share of profit/(loss) and comprehensive income from continuing operations	2,448	(5,745)

23 INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials	383,316	425,346
Finished goods	1,282,496	1,369,079
Semi-finished goods	182,825	245,385
Others	81,614	49,599
	1,930,251	2,089,409

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB3,393,053,000 (2023: RMB3,686,389,000) for the year ended 31 December 2024.

The Group provided write-down of inventories to net realisable value amounting to RMB110,812,000 (2023: RMB273,405,000). These were recognised as an expense during the year ended 31 December 2024 (Note 7).

24 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables from third parties	636,973	447,529
Trade receivables from related parties (Note 39(b))	87,834	153,414
	724,807	600,943
Bills receivables	5,339	6,120
Less: Provision for impairment of trade receivables (Note 3.1(b))	(40,568)	(16,202)
	689,578	590,861

The Group normally allows a credit period from 1 to 6 months (2023: from 1 to 6 months) to certain customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management and followed closely by operation teams. 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.

24 TRADE AND BILLS RECEIVABLES (continued)

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 3 months	465,415	502,257
3 to 6 months	144,148	42,240
6 months to 1 year	81,161	24,290
Over 1 year	34,083	32,156
	724,807	600,943

The Group applies the simplified approach to provide for ECLs which was a lifetime expected loss allowance for all trade receivables as prescribed by IFRS 9. Details of the expected loss rates based on the payment profile of sales are set out in Note 3.1(b).

The carrying amounts of trade and bills receivables approximated their fair values as at the balance sheet date, due to their short-term nature.

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Prepayments, other receivables and other assets from related parties (Note 39(b))	1,422	12,291
Prepayments and deposits	193,369	223,908
Other tax recoverable	129,377	92,864
Others	13,831	18,461
	337,999	347,524
Impairment of other receivables	(5,968)	(5,918)
	332,031	341,606
Classified as:		
Non-current assets	68,654	85,518
Current assets	263,377	256,088
	332,031	341,606

26 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Current		
Cash and bank balances	1,224,005	2,043,314
Time deposits	206,221	–
	1,430,226	2,043,314
Non-current		
Long-term time deposits, with maturity over one year	224,050	40,871
Total of cash at bank and on hand	1,654,276	2,084,185
Less: Restricted cash	(9,302)	(5,712)
Less: Time deposits	(206,221)	–
Less: Long-term time deposits, with maturity over one year	(224,050)	(40,871)
Cash and cash equivalents	1,214,703	2,037,602

As at 31 December 2024 and 2023, total of cash at bank and on hand were denominated in the following currencies:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
RMB	1,369,392	1,673,826
US$	123,805	16,757
EUR	65,896	181,617
HK$	37,068	46,260
Others	58,115	165,725
	1,654,276	2,084,185

The restricted cash as at 31 December 2024 and 2023 represented deposits for bank borrowings and other restricted cash.

The Group's cash at bank and on hand denominated in RMB in Mainland China is not freely convertible in the international market. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to convert RMB into other currencies through banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on published daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

27 TRADE AND BILLS PAYABLES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade payables to third parties	502,108	468,541
Trade payables to related parties (Note 39(b))	31,837	45,777
	533,945	514,318
Bills payables	–	2,642
	533,945	516,960

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:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Within 12 months	529,186	510,993
Over 12 months	4,759	5,967
	533,945	516,960

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

The carrying amounts of trade and bills payables approximated their fair values as at the balance sheet date, due to their short-term nature.

28 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Other payables and accruals to related parties (Note 39(b))	5,000	8,979
Deposits	87,530	91,528
Accrued salaries and welfare	166,238	148,738
Other tax payables	85,121	113,079
Other payables	169,302	150,607
Accrued promotion and advertising expenses	114,114	157,150
Other accruals	33,956	46,148
	661,261	716,229

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

The carrying amounts of other payables and accruals approximated their fair values as at the balance sheet date, due to their short-term nature.

29 BANK BORROWINGS

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Current:		
Bank borrowings – unsecured [a]	2,137,671	2,377,906
Bank borrowings – secured [b]	45	46
	2,137,716	2,377,952

As at 31 December 2024, bank borrowings consisted of:

(a) bank borrowings of EUR284,049,000 (equivalent to RMB2,137,671,000) (as at 31 December 2023: EUR289,700,000 and HK$110,000,000 (equivalent to RMB2,377,906,000)) which were supported by corporate guarantee provided by the ultimate shareholder, Yili Industrial.

(b) bank borrowings of Taiwan dollars 200,000 (equivalent to RMB45,000) (as at 31 December 2023: Taiwan dollars 200,000 (equivalent to RMB46,000)) which were secured by the pledges of certain of the Group's time deposits amounting to RMB91,000 (2023: RMB1,027,000).

The carrying amounts of the Group's bank borrowings approximated their fair values as at the balance sheet date, due to their short-term nature.

The Group's weighted average effective interest rates on borrowings at the balance sheet date were as follows:

	As at 31 December	
	2024	2023
Short-term bank borrowings	4.30%	4.97%

30 DEFINED BENEFIT PLAN

Ausnutria Ommen B.V., the Group's major subsidiary in the Netherlands, operates an unfunded defined benefit plan for all its qualifying employees. Under the plan, the employees are entitled to retirement benefits at rates varying from 0% to 70% of their final salaries on attainment of a retirement age of 67 (2023: age of 67).

The employees who participate in this defined benefit plan were moved to another pension plan which was treated as a defined contribution plan from 1 January 2015. All the rights from previous years will remain in the old defined benefit plan. Sensitivity on future salaries and pension costs is not applicable for the Group's defined benefit plan.

The Group's defined benefit plan is a final salary plan, which requires contributions to be made to a separately administered fund. The plan has the legal form of a foundation and it is administrated by independent trustees with the assets held separately from those of the Group. The trustees are responsible for the determination of the investment strategy of the plan.

The trustees review the level of funding in the plan by the end of each reporting period. Such a review includes the asset-liability matching strategy and investment risk management policy. The trustees decide the amount of contribution based on the results of the annual review.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and equity market risk.

The most recent actuarial valuations of the plan's assets and the present value of the defined benefit obligations were carried out on 31 December 2024 by Ernst & Young Actuarissen B.V. in the Netherlands, using the projected unit credit actuarial valuation method. The undersigned actuary of the actuarial valuation is Eva Wieringa, a registered actuary and member of The Royal Dutch Actuarial Association in the Netherlands.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	As at 31 December	
	2024	2023
Discount rate (%)	3.45	3.30
Expected rate of future pension cost increases (%)	3.45	3.30
Expected rate of salary increases (%)	1.25	1.25
Indexation post activities (%)	0.00	0.00

The actuarial valuation showed that the market value of plan assets was RMB22,984,000 as at 31 December 2024 (31 December 2023: RMB24,254,000) and that the actuarial value of these assets represented 96.0% (2023: 93.0%) of the benefits that had been accrued to qualifying employees. The deficiency of RMB948,000 as at 31 December 2024 (31 December 2023: RMB1,823,000) is expected to be cleared over the remaining life expectancy (based on unconditional future indexations for active and post-active participants).

30 DEFINED BENEFIT PLAN (continued)

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows:

	Present value of obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
As at 1 January 2023	23,026	(21,074)	1,952
Additional charges	–	31	31
Interest expense	872	–	872
Return on plan assets (excluding amounts included in net interest expense)	–	(834)	(834)
Total amount recognised in profit or loss	872	(803)	69
Remeasurements			
Loss from change in financial assumptions	1,767	(1,668)	99
Experience losses	(421)	230	(191)
Total amount recognised in OCI	1,346	(1,438)	(92)
Exchange differences	1,399	(1,505)	(106)
Contributions by the employer	–	–	–
Benefit payments	(566)	566	–
As at 31 December 2023	26,077	(24,254)	1,823
Additional charges	–	23	23
Interest expense	818	–	818
Return on plan assets (excluding amounts included in net interest expense)	–	(787)	(787)
Total amount recognised in profit or loss	818	(764)	54
Remeasurements			
Loss from change in demographic assumptions	(23)	23	–
Loss from change in financial assumptions	(517)	510	(7)
Experience losses	(324)	(409)	(733)
Total amount recognised in OCI	(864)	124	(740)
Exchange differences	(1,080)	891	(189)
Contributions by the employer	–	–	–
Benefit payments	(1,019)	1,019	–
As at 31 December 2024	23,932	(22,984)	948

30 DEFINED BENEFIT PLAN (continued)

Expected contributions to the defined benefit plan in future years are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Within the next 12 months	978	1,792
Between 2 and 4 years	3,078	3,065
Between 2 and 5 years	4,162	4,158
Between 4 and 9 years	8,180	8,567
Between 5 and 10 years	7,134	7,458
Total expected contributions	23,532	25,040

The average duration of the defined benefit obligations at the end of the reporting period was 15 (2023: 15) years.

31 DEFERRED REVENUE

The movement in deferred revenue was as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	81,020	82,064
Charged to the consolidated statement of profit or loss	(2,166)	(1,044)
As at 31 December	78,854	81,020

On 22 May 2018, the Group purchased two plots of land in Changsha city of Hunan province, the PRC, for the construction of the building of the PRC headquarters of the Group. 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 and are amortised and recognised as "Other income" over the expected useful life of the building of the PRC headquarters of the Group.

32 DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred income tax assets:		
Deferred tax assets to be recovered after 12 months	260,708	231,206
Deferred tax assets to be recovered within 12 months	123,122	142,338
Deferred income tax assets – gross	383,830	373,544
Set-off of deferred income tax assets	(18,848)	(7,425)
Deferred income tax assets – net	364,982	366,119

32 DEFERRED TAX ASSETS AND LIABILITIES (continued)

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Deferred income tax liabilities:		
Deferred tax liabilities to be recovered after 12 months	83,608	81,773
Deferred tax liabilities to be recovered within 12 months	6,914	6,991
Deferred income tax liabilities – gross	90,522	88,764
Set-off of deferred income tax liabilities	(18,848)	(7,425)
Deferred income tax liabilities – net	71,674	81,339

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

(a) Deferred income tax assets

2024

	Losses available for offsetting against future taxable income RMB'000	Deductible temporary differences RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2024	285,690	50,115	19,003	18,736	373,544
Deferred tax credited/(charged) to profit or loss during the year	35	8,000	3,557	11,792	23,384
Exchange realignment	(6,402)	(4,136)	(50)	(2,510)	(13,098)
As at 31 December 2024	279,323	53,979	22,510	28,018	383,830

2023

	Losses available for offsetting against future taxable income RMB'000	Deductible temporary differences RMB'000	Unrealised profit RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	138,314	254,318	31,942	18,283	442,857
Deferred tax credited/(charged) to profit or loss during the year	71,529	(138,576)	(13,009)	(755)	(80,811)
Reclassification based on annual tax filing	70,973	(70,973)	–	–	–
Business combination	–	4,832	–	725	5,557
Exchange realignment	4,874	514	70	483	5,941
As at 31 December 2023	285,690	50,115	19,003	18,736	373,544

32 DEFERRED TAX ASSETS AND LIABILITIES (continued)

(b) Deferred income tax liabilities

2024

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Milk collection right RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2024	9,422	29,932	–	49,410	88,764
Deferred tax charged/(credited) to profit or loss during the year	9,998	(4,161)	–	12,679	18,516
Business combination (Note 35)	–	19,820	–	–	19,820
Withholding tax payment	–	–	–	(35,275)	(35,275)
Exchange realignment	(571)	(2,126)	–	1,394	(1,303)
As at 31 December 2024	18,849	43,465	–	28,208	90,522

2023

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Milk collection right RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2023	2,165	35,501	343	36,978	74,987
Deferred tax charged/(credited) to profit or loss during the year	7,009	(8,808)	(353)	11,782	9,630
Business combination	–	2,479	–	–	2,479
Exchange realignment	248	760	10	650	1,668
As at 31 December 2023	9,422	29,932	–	49,410	88,764

Deferred income tax assets are recognised for the tax losses that the Group's management expects that it is probable that taxable profits will be available against which the above tax losses and deducible temporary differences can be utilised in the future years.

As at 31 December 2024, the Group has not recognised deferred income tax assets amounting to RMB83,607,000 (31 December 2023: RMB111,740,000) in respect of tax losses amounting to RMB373,447,000 (31 December 2023: RMB532,497,000) that are available for offsetting against future taxable profits, as they are related to subsidiaries that have been loss-making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

32 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Pursuant to Mainland China CIT 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 since 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group's foreign investor holding companies are subject to 5% and 10% withholding income tax rates where applicable. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2024, the Group has not recognised deferred income tax liabilities of RMB259,654,000 (31 December 2023: RMB253,693,000) in respect of the withholding tax on the unremitted earnings of subsidiaries amounting to RMB2,596,542,000 (31 December 2023: RMB2,536,928,000) that would be payable upon the distribution of these retained profits out of the PRC subsidiaries, as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

33 SHARE CAPITAL

(a) Authorised shares

	Number of authorised shares '000
At 1 January 2023 till 31 December 2024	3,000,000

(b) Issued shares

	As at 31 December 2024 HK$'000	As at 31 December 2023 HK$'000
Issued and fully paid:		
1,779,538,841 (2023: 1,780,111,841) ordinary shares of HK$0.10 each	177,954	178,011

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

	Number of shares in issue '000	Share capital RMB'000
As at 1 January 2023	1,800,112	156,061
Cancellation of shares [(a)]	(20,000)	(1,835)
As at 31 December 2023	1,780,112	154,226
Cancellation of shares [(b)]	(573)	(53)
As at 31 December 2024	1,779,539	154,173

33 SHARE CAPITAL (continued)

(b) Issued shares (continued)

[a] During the year ended 31 December 2023, the Company repurchased 20,000,000 ordinary shares of its own at nil consideration in accordance with the terms as set out in a sale and purchase agreement. Details of the repurchase are set out in the announcements of the Company dated 9 April 2020, 31 October 2023 and 14 November 2023. Such Shares were cancelled on 6 November 2023.

[b] During the year ended 31 December 2024, the Company repurchased 573,000 ordinary shares of its own through the Stock Exchange. The shares were cancelled during the year and the total value of the shares repurchased of approximately HK$1,074,160 (equivalent to RMB979,649) was deducted from shareholders' equity.

34 RESERVES

(i) Capital reserve

The capital reserve represents the net difference between the aggregate of the issued paid-in capital of subsidiaries comprising the Group and contribution from the then owners pursuant to a reorganisation for listing of the Company in 2009.

(ii) Statutory surplus reserve

According to Mainland China Company Law, each of Mainland China subsidiaries of the Group is required to transfer 10% of its after tax profit, calculated in accordance with Mainland China accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of Mainland China subsidiaries, provided that such fund is maintained at a minimum level of 25% of the registered capital.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with presentation currencies other than RMB.

35 MATERIAL BUSINESS COMBINATIONS

On 4 July 2024, Ausnutria B.V., a wholly-owned subsidiary of the Company (as the "**Purchaser**"), and Dairy Goat Holding B.V. ("**DGH**", as the "**Vendor**") entered into an implementation agreement, pursuant to which the Purchaser shall purchase the remaining 50% shareholding in the Amalthea Group B.V., the Group's previous 50% owned joint venture (Note 22), held by DGH at a consideration of EUR22,544,000 (equivalent to approximately RMB173,979,000). The consideration was determined based on the respective appraisal value of Amalthea Group B.V. by an independent and qualified valuer. The above equity transfer (the "**Transaction**") was completed on 18 October 2024. Upon completion of the Transaction, the Group owns 100% equity interests in Amalthea Group B.V. which became a subsidiary of the Group.

The impact to profit or loss arising from the Transaction is set out below:

	RMB'000
Fair value of 50% equity interests previously held by the Group in Amalthea Group B.V. at completion date of the Transaction	170,365
Less: carrying value of the investment in Amalthea Group B.V. (50%) (Note 22)	(167,334)
Remeasurement gain, charged to other income, other gains/(losses) – net	3,031

35 MATERIAL BUSINESS COMBINATIONS (continued)

The assets and liabilities of Amalthea Group B.V. as at 18 October 2024, being the acquisition date, arising from the Transaction are as follows:

	Fair value RMB'000
Property, plant and equipment (Note 16)	124,025
Right-of-use assets (Note 18)	59,462
Other intangible assets (Note 20)	69,672
Inventories	34,126
Trade and bills receivables	112,356
Prepayments, other receivables and other assets	7,802
Cash and cash equivalents	8,613
Trade and bills payables	(111,060)
Other liabilities	(30,869)
Lease liabilities (Note 18)	(95,662)
Deferred tax liabilities (Note 32)	(19,820)
Total identifiable net assets	158,645
Add: goodwill (Note 19)	185,699
Total purchase consideration	344,344
Total purchase consideration comprised:	
Fair value of 50% equity interests previously held by the Group in Amalthea Group B.V. at completion date of the Transaction	170,365
Cash Consideration for the remaining 50% equity interests	173,979
Total purchase consideration	344,344
Cash and cash equivalents in the subsidiary acquired	8,613
Less: cash outflow of cash consideration on acquisition	(173,979)
Net outflow of cash – investing activities	(165,366)

35 MATERIAL BUSINESS COMBINATIONS (continued)

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred,
- the liabilities incurred to the former owners of the acquired business,
- the equity interests issued by the Group,
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquired entity, and
- the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Profit before tax		312,515	201,801
Adjusted for:			
Finance costs	11	51,642	57,727
Interest income	10	(37,440)	(35,706)
Share of profits and losses of investments accounted for using the equity method	22	17,552	22,147
Depreciation of property, plant and equipment	7	166,285	157,179
Depreciation of investment property	7	4,900	4,311
Depreciation of right-of-use assets	7	19,570	23,219
Amortisation of other intangible assets	7	90,349	65,960
Write-down of inventories to net realisable value	7	110,812	273,405
(Reversal of)/provision for impairment of property, plant and equipment		(13,881)	25,099
Net impairment losses on financial assets	3.1(b)	26,008	8,543
Loss on disposal of items of property, plant and equipment		5,797	–
Losses on disposal of other intangible assets		165	1,560
Remeasurement gains on defined benefit plans	30	54	69
Decrease/(Increase) in inventories		31,218	(41,928)
(Increase)/Decrease in trade and bills receivables		(29,419)	104,589
(Increase)/Decrease in prepayments, other receivables and other assets		(26,580)	191,292
Decrease in trade and bills payables		(74,755)	(54,936)
Decrease in other payables and accruals and contract liabilities		(241,964)	(652,711)
Cash generated from operations		412,828	351,620
Interest received		29,151	39,905
Interest paid		(94,917)	(83,922)
Income tax paid		(47,688)	(82,892)
Net cash flows generated from operating activities		299,374	224,711

36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

2024	Bank borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2024	2,377,952	37,648
Changes from financing cash flows	(146,113)	(25,956)
Business combination (Note 35)	–	95,662
Foreign exchange movement	(94,123)	(2,343)
Interests	–	1,765
New leases	–	7,904
As at 31 December 2024	2,137,716	114,680

2023		
As at 1 January 2023	1,465,614	94,822
Changes from financing cash flows	825,904	(82,012)
Business combination	–	1,204
Foreign exchange movement	86,434	5,628
New leases	–	18,006
As at 31 December 2023	2,377,952	37,648

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	38,369	55,975
Within financing activities	25,956	82,012
	64,325	137,987

37 CAPITAL COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for:		
Plant and machinery	108,583	184,578
Other intangible assets	1,640	2,198
Land and buildings	1,201	12,013
	111,424	198,789

38 PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests ("**NCI**") are set out below:

(a) Bioflag

	As at 31 December	
Summarised statement of financial position	2024 RMB'000	2023 RMB'000
Current assets	117,078	88,503
Current liabilities	(121,009)	(116,056)
Net current liabilities	(3,931)	(27,553)
Non-current assets	178,380	202,280
Non-current liabilities	–	(2,294)
Net non-current assets	178,380	199,986
Net assets	174,449	172,433
Accumulated NCI	23,424	30,969

Summarised statement of comprehensive income	2024 RMB'000	2023 RMB'000
Revenue	147,496	165,972
Profit for the year	2,016	9,238
Total comprehensive income	2,016	9,238
Loss allocated to NCI	(214)	(1,659)
Dividends paid to NCI	–	–

38 PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

(a) Bioflag (continued)

On 19 January 2024, Bioflag and Jingang Trade, the parent company of the Company, entered into an agreement pursuant to which Jingang Trade conditionally agreed to subscribe for, and Bioflag conditionally agreed to allot and issue, 1,796,326 new shares to Jingang Trade at the consideration of US$1,904,106 (equivalent to approximately RMB13,486,000, representing 3.53% equity interests in Bioflag) (the "**Bioflag Nutrition Subscription**"). The Bioflag Nutrition Subscription was completed on 29 April 2024, and Jingang Trade's new investment was treated as a contribution from NCI in the Group's consolidated financial statements.

On the same date of 19 January 2024, the Company (through its wholly-owned subsidiary) entered into share purchase agreements with Yuanta Asia Growth Investment L.P. and Yuanta Venture Capital Co., Ltd., the NCI shareholders of Bioflag, in relation to the acquisition of approximately 7.70% equity interests in Bioflag at a total cash consideration of US$4,007,690 (equivalent to approximately RMB28,562,000) (the "**Further Acquisition**"). The Further Acquisition was completed on 26 July 2024.

The effect on the equity attributable to the owners of the Company during the year is summarised as follows:

	2024 RMB'000
Carrying amount of NCI acquired	13,843
Consideration paid to NCI	(28,562)
Excess of consideration paid and recognised in transactions with non-controlling interests reserve within equity	(14,719)

Upon on the completion of Bioflag Nutrition Subscription and Further Acquisition, the equity interests of the Group in Bioflag increased from approximately 82.04% to 86.57%.

38 PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Details of the Group's subsidiaries that have material non-controlling interests ("**NCI**") are set out below: (continued)

(b) Hyproca Nutrition East Ltd.

	As at 31 December	
Summarised statement of financial position	2024 RMB'000	2023 RMB'000
Current assets	106,985	63,787
Current liabilities	(51,127)	(28,469)
Net current assets	55,858	35,318
Non-current assets	687	49
Non-current liabilities	(592)	–
Net non-current assets	95	49
Net assets	55,953	35,367
Accumulated NCI	27,417	17,330

Summarised statement of comprehensive income	2024 RMB'000	2023 RMB'000
Revenue	165,879	116,736
Profit for the year	27,320	9,167
Total comprehensive income	27,320	9,167
Profit allocated to NCI	13,387	4,492
Dividends paid to NCI	–	–

The Group's equity interest in Hyproca Nutrition East Ltd. remained at 49% during the years ended 31 December 2024 and 2023.

39 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Yili Industrial. The directors of the Company are of the view that the subsidiaries of Yili Industrial, the joint ventures and associates of the Group are regarded as related parties.

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

	2024 RMB'000	2023 RMB'000
Continuing connected transactions:		
Purchases of products from the subsidiaries of Yili Industrial	163,995	8,114
Sales of products to the subsidiaries of Yili Industrial	57,876	14,578
Services received from the subsidiaries of Yili Industrial [i]	5,464	2,362
Provision of services to the subsidiaries of Yili Industrial	5,370	4,083
Non-connected transactions:		
Purchases of products from the associates and joint ventures of the Group	266,930	401,951
Sales of products to the associates and joint ventures of the Group	232,664	500,930
Interests charged from joint ventures	2,759	3,772

The above transactions with related parties were carried out in accordance with the terms of the underlying agreement or the terms and conditions mutually agreed by the parties involved where applicable.

(i) The services received from the subsidiaries of Yili Industrial constituted continuing connected transaction as defined in Chapter 14A of the Main Board Listing Rules. The transaction is exempt from shareholders' approval and disclosure and other requirements under Chapter 14A.76 of the Listing Rules because the transaction amount is below the de minimis threshold under Rule 14A.76(1).

Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	12,058	29,398
Retirement benefit contributions	524	801
Total compensation paid to key management personnel	12,582	30,199

All the compensation of key management personnel of the Group has been paid as at year end.

39 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) Due from related parties

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade and bills receivables (Note 24)		
Amounts due from associates and joint ventures of the Group	60,517	151,023
Amounts due from the subsidiaries of Yili Industrial	27,317	2,391
	87,834	153,414
Prepayments, other receivables and other assets (Note 25)		
Amounts due from associates and joint ventures of the Group	–	83
Amounts due from the subsidiaries of Yili Industrial	1,422	12,208
	1,422	12,291
Cash and cash equivalents		
Short-term deposits in a subsidiary of Yili Industrial	103,361	5,175

(ii) Due to related parties

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Trade and bills payables (Note 27)		
Amounts due to associates and joint ventures of the Group	12,116	40,920
Amounts due to the subsidiaries of Yili Industrial	19,721	4,857
	31,837	45,777
Other payables and accruals (Note 28)		
Amounts due to associates and joint ventures of the Group	5,000	8,979

40 FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2024

Financial assets

	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables (Note 24)	–	689,578	689,578
Financial assets included in prepayments, other receivables and other assets	–	19,250	19,250
Financial assets at FVTPL (Note 21)	28,385	–	28,385
Time deposits (Note 26)	–	206,221	206,221
Long-term time deposits, with original maturity over one year (Note 26)	–	224,050	224,050
Restricted cash (Note 26)	–	9,302	9,302
Cash and cash equivalents (Note 26)	–	1,214,703	1,214,703
	28,385	2,363,104	2,391,489

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (Note 27)	533,945
Financial liabilities included in other payables and accruals	409,902
Lease liabilities (Note 18)	114,680
Bank borrowings (Note 29)	2,137,716
	3,196,243

40 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2023

Financial assets

	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables (Note 24)	–	590,861	590,861
Financial assets included in prepayments, other receivables and other assets	–	30,752	30,752
Financial assets at FVTPL (Note 21)	28,145	–	28,145
Long-term time deposits, with original maturity over one year (Note 26)	–	40,871	40,871
Restricted cash (Note 26)	–	5,712	5,712
Cash and cash equivalents (Note 26)	–	2,037,602	2,037,602
	28,145	2,705,798	2,733,943

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables (Note 27)	516,960
Financial liabilities included in other payables and accruals	454,412
Lease liabilities (Note 18)	37,648
Bank borrowings (Note 29)	2,377,952
	3,386,972

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		735,611	541,376
Total non-current assets		735,611	541,376
Current assets			
Due from subsidiaries		2,917,634	3,268,315
Prepayments, other receivables and other assets		32	65
Cash and cash equivalents		13,978	5,838
Total current assets		2,931,644	3,274,218
Total assets		3,667,255	3,815,594
LIABILITIES			
Current liabilities			
Borrowings		–	99,982
Due to subsidiaries		–	10,778
Other payables		1,832	4,542
Total current liabilities		1,832	115,302
Total liabilities		1,832	115,302
EQUITY			
Share capital	33	154,173	154,226
Reserves (a)		3,511,250	3,546,066
Total equity		3,665,423	3,700,292
Total equity and liabilities		3,667,255	3,815,594

The statement of financial position of the Company was approved by the board of directors on 10 April 2025 and were signed on its behalf by:

Mr. Ren Zhijian
Director

Mr. Zhang Zhi
Director

41 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
As at 1 January 2023	3,089,922	–	171,320	52,989	188,564	101,823	3,604,618
Profit for the year	–	–	–	–	(11,436)	–	(11,436)
Other comprehensive income for the year:							
– Exchanges differences on translation of foreign operations	–	–	–	–	–	49,523	49,523
Cancellation of shares	1,835	–	–	–	–	–	1,835
Final 2022 dividend declared	(98,474)	–	–	–	–	–	(98,474)
As at 31 December 2023	2,993,283	–	171,320	52,989	177,128	151,346	3,546,066
Profit for the year	–	–	–	–	(17,878)	–	(17,878)
Other comprehensive income for the year:							
– Exchanges differences on translation of foreign operations	–	–	–	–	–	64,919	64,919
Repurchase of shares	–	(980)	–	–	–	–	(980)
Cancellation of shares	(927)	980	–	–	–	–	53
Final 2023 dividend declared	(80,930)	–	–	–	–	–	(80,930)
As at 31 December 2024	2,911,426	–	171,320	52,989	159,250	216,265	3,511,250

The Company's capital reserve represents the excess of the net asset value of the subsidiaries acquired pursuant to a group reorganisation in 2009 over the nominal value of the Company's shares issued in exchange therefor.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

42.1 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see Note 35).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.1 Principles of consolidation and equity accounting (continued)

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in OCI of the investee in OCI. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 42.8.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in OCI are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

42.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Company's functional currency is HK$. The functional currency of subsidiaries in Mainland China is RMB and the functional currency of subsidiaries in European is EUR. The consolidated financial statements of the Group are presented in RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within "Finance costs". All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other gains/(losses) - net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in OCI.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in OCI.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.3 Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

42.4 Property, plant and equipment

Property, plant (other than construction in progress) and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 42.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

42.5 Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost model, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.6 Leases

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

Leases where the Group is a lessee

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

(i) Lease of buildings, machinery and motor vehicles

The Group leases buildings, machinery and motor vehicles as a lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

The Group's right-of-use assets consist of up-front the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.6 Leases (continued)

Leases where the Group is a lessee (continued)

(ii) Leasehold land

Leasehold land refers to land use rights of the Group's subsidiaries in Mainland China. The cost of land use rights comprises the payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted.

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

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

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

Leases where the Group is a lessor

Rental income from operating leases where the Group is a lessor is recognised in "Other income" on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the statement of financial position based on their nature.

42.7 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is separately disclosed. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) Non-patent technology and licences

Acquired non-patent technology is capitalised on a basis of the costs incurred to acquire and bring to use the specific technology. The licence acquired in a business combination is recognised at fair value at the acquisition date. Non-patent technology and the licence are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.7 Intangible assets (continued)

(iii) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years.

(iv) Software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

(v) Milk collection right

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

(vi) Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 5 to 7 years, commencing from the date when the products are put into commercial production. Capitalised development costs are included in (ii) Non-patent technology and licences above.

(vii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected lives of 8 to 20 years for the customer relationships.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

42.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to present subsequent changes in fair value in OCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivative are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.9 Investments and other financial assets (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- Amortised cost: assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in "Other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains/(losses) – net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains/(losses) - net". Interest income from these financial assets is included in "Other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses) - net", and impairment expenses are presented as a separate line item in the statement of profit or loss.

- FVTPL: assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "Other gains/(losses) - net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains/(losses) - net" in the statement of profit or loss as applicable.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.9 Investments and other financial assets (continued)

(iv) Impairment

The Group assesses on a forward-looking basis the ECLs associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables and other financial assets at amortised cost is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECLs.

42.10 Inventories

Inventories mainly include raw materials, semi-finished goods and finished goods, and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

42.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore it measures them subsequently at amortised cost using the effective interest method, less loss allowance. See Note 24 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

42.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.13 Offsetting of financial instruments

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

42.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

42.15 Contract liabilities

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

42.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised when the obligation specified in the contract is extinguished, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "Other income" or "Finance costs".

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

42.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.18 Provisions

Provisions for legal claims, and warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

42.19 Other income

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

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

42.20 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to land use rights and property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(iii) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.22 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service benefit, annual leave and other long-term benefit that are not expected to be settled wholly within 12 months after the end of the period. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have a right, at the end of the reporting period, to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plans

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme operated by the relevant authorities of the provinces or the local municipal governments in Mainland China in which the Group's subsidiaries are located. Contributions are made based on a percentage of the employee's salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's obligations to employees' pension and retirement benefits are limited to the Group's contributions.

Most of the Group's subsidiaries in the Netherlands operate a defined contribution pension plan for certain of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the pension plan. The assets of the defined contribution pension plan are held separately from those of the Group in an independently administered fund. The Group's employer contribution rests fully with the employees when contributed into the defined contribution pension plan.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.22 Employee benefits (continued)

(iii) Post-employment obligations (continued)

The Group's subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries in Australia and New Zealand operate a defined contribution Superannuation Fund retirement benefit scheme (the "**SF Scheme**") for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the SF Scheme. The assets of the SF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contribution vest fully with the employees when contributed into the SF Scheme.

Defined benefit plans

One of the Group's subsidiaries in the Netherlands operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.22 Employee benefits (continued)

(iv) Housing funds, medical insurances and other social insurances

The employees of the Group's subsidiaries in Mainland China are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

42.23 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

42.24 Dividends distribution

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in Note 14 to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

42.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

42 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (continued)

42.25 Earnings per share (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

42.26 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and groups of contracts within the scope of IFRS 17 Insurance Contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)
Revenue	7,402,439	7,382,007	7,795,512	8,575,157	7,823,804
Profit before income tax	312,515	201,801	251,277	890,651	1,095,938
Income tax expenses	(65,322)	(32,945)	(62,934)	(164,937)	(194,559)
Profit for the year	247,193	168,856	188,343	725,714	901,379
Attributable to:					
The equity holders of the Company	235,975	174,387	216,526	763,794	908,318
Non-controlling interests	11,218	(5,531)	(28,183)	(38,080)	(6,939)
	247,193	168,856	188,343	725,714	901,379

	As at 31 December				
	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000 (restated)	2020 RMB'000 (restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	9,662,146	10,033,758	9,796,095	9,632,501	9,317,813
Total liabilities	(3,878,667)	(4,284,562)	(4,231,039)	(4,701,390)	(4,451,898)
Net assets	5,783,479	5,749,196	5,565,056	4,931,111	4,865,915
Non-controlling interests	(61,878)	(55,728)	81,515	46,975	21,470
	5,721,601	5,693,468	5,646,571	4,978,086	4,887,385

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