中国圣牧
CHINA SHENGMU

CHINA SHENGMU ORGANIC MILK LIMITED
中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1432)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Unless otherwise stated, all amounts are expressed in thousands of Renminbi ("**RMB**"))

FINANCIAL DATA	**For the six months ended 30 June**		
	2023	2022	**Changes**
	(unaudited)	(unaudited)	
Operating income (1)	**1,643,416**	1,600,623	**+2.7%**
Revenue	**1,565,011**	1,548,581	**+1.1%**
Gross profit	**418,289**	512,764	**-18.4%**
Profit attributable to owners of the parent	**23,327**	228,843	**-89.8%**
Cash EBITDA(2)	**368,563**	466,126	**-20.9%**
Net assets per share (RMB)(3)	**0.474**	0.463	**+2.4%**
KEY OPERATING DATA			
Sales volume (tonnes)	**340,086**	311,565	**+9.2%**
Average annualized milk yield per milkable cow (tonnes/year • heads)	**10.94**	10.53	**+3.9%**
Herd size (heads)	**139,897**	136,344(4)	**+2.6%**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

HIGHLIGHTS SUMMARY

- **Record-high milk yield per milkable cow, significant increase in production capacity:**

  During the Reporting Period, the Group's annualized milk yield per milkable cow further improved to 10.94 tonnes, representing a yoy increase of approximately 0.41 tonnes, achieving a record high for the Company. With the increase in milk yield per milkable cow, the Group's daily milk production also exceeds 2,000 tonnes for the first time.

- **Herd size and organic milk volume continued to increase:**

  As at 30 June 2023, herd size of the Group increased by 2.6% as compared with the end of the previous year; sales volume of raw milk was recorded at 0.34 million tonnes during the Reporting Period, of which sales volume of organic raw milk reached 0.261 million tonnes, representing a yoy increase of 17.3% and accounting for 76.8% of the total sales volume of raw milk. The increase in the proportion of sales volume of organic raw milk will further strengthen the profitability of the Group.

- **Strengthening of lean operations management and significantly improved key indicators:**

  During the Reporting Period, the Group has continued to strengthen its overall management capability and enhance its operational efficiency. Six farms passed the GAP certification, seven new S-grade farms were added, and one organic farm was awarded the "China Good Agricultural Practices Certification".

  The Group has implemented effective selection and breeding measures to enhance the level of dairy breeding. During the Reporting Period, the core indicators such as the pregnancy rate of milkable cows, conception rate and cow retention rate improved significantly as compared with the Prior Period, with the conception rate reaching an industry-leading level.

- **Core products became more competitive:**

  The "Ulan Buh Desert Raw Milk" Ecological Product of Origin Protection Certificate issued by China Entry-Exit Inspection and Quarantine Association made the Group the only "raw milk" ecological origin protection enterprise in China.

- **IT infrastructure development won another award:**

  The Group's financial services sharing project won the "2022 China Enterprise Finance Sharing Construction Excellence Achievement Award" at the 17th China CFO Summit.

- **Awarded the title of national key leading enterprise:**

  The Group was awarded as a national key leading enterprise in agricultural industrialization by the Ministry of Agriculture and Rural Affairs of the PRC for its remarkable achievements in promoting agricultural modernization, upgrading the quality and safety standards of agricultural products and promoting the development of the dairy industry, etc.

(1) Operating income is calculated as revenue plus other revenue.

(2) Cash EBITDA is defined as earnings before finance costs and tax after adding back the following items: i) depreciation and amortization included in profit or loss; ii) other income and gains; iii) net impairment losses on financial and contractual assets; and iv) loss arising from changes in fair value less costs to sell of biological assets.

(3) Net assets per share is calculated as equity attributable to owners of the parent divided by the number of issued and fully paid ordinary shares.

(4) Herd size (heads) refers to the number of heads as at 31 December 2022.

In this announcement, "**we**", "**us**" and "**our**" refer to the Company (as defined below) and unless the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of China Shengmu Organic Milk Limited (the "**Company**" or "**China Shengmu**") hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (the "**Group**" or "**Shengmu**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2022 (the "**Prior Period**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended 30 June** **2023**	2022
		RMB'000 **(Unaudited)**	RMB'000 (Unaudited)
REVENUE	3	**1,565,011**	1,548,581
Cost of sales		**(1,146,722)**	(1,035,817)
Gross profit		**418,289**	512,764
Loss arising from changes in fair value		**(286,085)**	(197,169)
Other income and gains		**26,418**	40,068
Selling and distribution expenses		**(27,021)**	(23,504)
Administrative expenses		**(72,730)**	(66,606)
Impairment losses on financial and contract assets, net		**231**	(398)
Other expenses		**(1,054)**	(696)
Finance costs		**(25,974)**	(10,037)
Share of losses of associates		**(10,729)**	(11,180)
PROFIT BEFORE TAX	4	**21,345**	243,242
Income tax expense	5	**(71)**	—
PROFIT FOR THE PERIOD		**21,274**	243,242

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Note	For the six months ended 30 June **2023**	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
Owners of the parent		**23,327**	228,843
Non-controlling interests		**(2,053)**	14,399
		21,274	243,242
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		**RMB0.003**	RMB0.027
Diluted		**RMB0.003**	RMB0.027

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**21,274**	243,242
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**—**	93
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods	**—**	93
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**1,000**	(22,200)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**1,000**	(22,200)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**1,000**	(22,107)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**22,274**	221,135
Attributable to:		
Owners of the parent	**24,327**	206,736
Non-controlling interests	**(2,053)**	14,399
	22,274	221,135

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at **30 June 2023**	31 December 2022
		RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,716,794**	1,703,982
Right-of-use assets		**584,715**	554,068
Other intangible assets		**10,323**	9,145
Investments in associates		**22,797**	34,352
Biological assets		**3,100,848**	3,052,124
Other financial assets		**58,000**	57,000
Long-term receivables		**1,433**	2,036
Total non-current assets		**5,494,910**	5,412,707
CURRENT ASSETS			
Inventories		**440,090**	880,650
Biological assets		**57,310**	66,327
Trade receivables	8	**282,834**	276,856
Prepayments, other receivables and other assets		**127,278**	102,048
Other financial assets		**230,000**	459,000
Restricted bank deposits		**114,950**	199,867
Cash and bank balances		**1,023,790**	490,177
Total current assets		**2,276,252**	2,474,925
CURRENT LIABILITIES			
Trade and bills payables	9	**1,265,337**	1,476,138
Other payables and accruals		**289,244**	296,179
Lease liabilities		**13,669**	2,586
Super short-term loan		**—**	100,000
Interest-bearing bank borrowings		**900,582**	795,610
Total current liabilities		**2,468,832**	2,670,513
NET CURRENT LIABILITIES		**(192,580)**	(195,588)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,302,330**	5,217,119

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	**20,200**	10,797
Interest-bearing bank borrowings	**1,102,079**	944,640
Total non-current liabilities	**1,122,279**	955,437
Net assets	**4,180,051**	4,261,682
EQUITY		
Equity attributable to owners of the parent		
Share capital	**69**	69
Treasury shares held under the share award scheme	**(40,804)**	(26,188)
Reserves	**4,016,709**	4,081,306
	3,975,974	4,055,187
Non-controlling interests	**204,077**	206,495
Total equity	**4,180,051**	4,261,682

NOTES

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

Going concern basis

The Group had net current liabilities of RMB192,580,000 as at 30 June 2023 (31 December 2022: RMB195,588,000). In view of the net current liabilities position, the board of directors has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking credit facilities, an unused credit facility of super short-term notes and cash flow projections for the twelve months ending 30 June 2024, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors have prepared the interim condensed consolidated financial information on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations, that occurred on or after 1 January 2022, if any.

    The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The amendments are not expected to have any significant impact on the Group's financial statements.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)**

(d) Amendments to IAS 12 International Tax Reform - Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. **REVENUE**

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**1,565,011**	1,548,581

Disaggregated information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of goods	**1,565,011**	1,548,581
Geographical market		
Mainland China	**1,565,011**	1,548,581
Timing of revenue recognition		
At a point in time	**1,565,011**	1,548,581

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,146,722**	1,035,817
Loss arising from changes in fair value	**286,085**	197,169
Depreciation of items of property, plant and equipment	**52,307**	53,100
Depreciation of right-of-use assets	**7,733**	1,142
Amortisation of other intangible assets	**714**	410
Research and development costs	**3,914**	3,149
Minimum lease payments under operating leases	**7,468**	8,338
Auditor's remuneration	**480**	480
(Reversal)/impairment of financial and contract assets	**(231)**	398

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current - the PRC	**71**	—
Total tax expense for the period	**71**	—

6. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend for ordinary shareholders in 2022 final of the Company recognised as distribution during the period: HKD1.13 cents per share	**87,183**	—

A final dividend in respect of the year ended 31 December 2022 of HKD1.13 cents (equivalent to RMB0.99 cents) per share was proposed pursuant to a resolution passed by the Board on 28 March 2023 and was approved at the annual general meeting of the Company on 15 June 2023.

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,305,107,000 (2022: 8,380,577,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 8,305,107,000 (2022: 8,380,577,000) in issue during the period. There is no dilutive impact on potential ordinary shares.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**23,327**	228,843

	Number of shares For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the reporting period used in the basic earnings per share calculation	**8,305,107,000**	8,380,577,000
Weighted average number of ordinary shares in issue during the reporting period used in the diluted earnings per share calculation	**8,305,107,000**	8,380,577,000

8. TRADE RECEIVABLES

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

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**282,208**	276,639
4 to 6 months	**213**	217
7 months to 1 year	**413**	—
	282,834	276,856

9. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
1 to 3 months	**582,489**	962,344
4 to 6 months	**612,000**	471,105
7 to 12 months	**59,354**	26,049
1 to 2 years	**6,351**	16,640
2 to 3 years	**5,143**	—
	1,265,337	1,476,138

10. SHARE AWARD SCHEME

On 19 April 2022 (the "**Adoption Date**" and the "**Grant Day I**"), the Company adopted a long-term share award scheme (the "**Share Award Scheme**"), which shall remain effective for ten years, to recognize the contributions by certain employees of the Group and to provide them with incentives. The board of directors had approved the budget for three batches of share grants under the Share Award Scheme with an equivalent amount of RMB35,000,000 in 2022, 2023 and 2024 for each batch.

Subject to any early termination as may be determined pursuant to the rules of the Share Award Scheme (the "**Scheme Rules**"), the Share Award Scheme shall be effective from the Adoption Date and shall remain in full force and effect for a period of ten years from the Adoption Date. Pursuant to the Share Award Scheme, the shares under the Share Award Scheme will comprise existing shares of the Company purchased or to be purchased by the trustee (the "**Trustee**", a professional and independent trustee appointed by the Company to assist with the administration of the Share Award Scheme) on the open market. The Share Award Scheme shall be subject to the administration of authorised representatives authorised by the Board and the Trustee in accordance with the Scheme Rules.

The Board granted the second batch of award shares to 67 selected participants (equivalent to a total of 87,388,000 shares granted by the Company to a total of 66 middle and senior management personnel of the Group and 12,566,000 shares to Mr. Zhang Jiawang, an executive director) on 21 April 2023 under the Share Award Scheme.

A total of 90,343,000 ordinary shares of the Company were purchased from open market by the Trustee at a total consideration of approximately HK$33,291,000 (equivalent to approximately RMB30,574,000) during the six months ended 30 June 2023.

The Group recognised a share award expense of RMB15,046,000 (2022: RMB6,562,000) in respect of the Share Award Scheme during the reporting period. A total number of 53,889,000 shares in the first batch of award shares granted under the Share Award Scheme were vested during the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRIAL OVERVIEW

In the first half of 2023, the macro-economy as a whole was on a recovery trend, with China's Gross Domestic Product (GDP) reaching RMB59,303.4 billion, representing a year-on-year ("yoy") growth of 5.5%; total retail sales of consumer goods reached RMB22,758.8 billion, representing a yoy growth of 8.2%; and retail sales of food and oil products and beverages increased by 4.8% and 1.0% respectively in units above the designated size. In the first half of 2023, the China's consumer price index (CPI) rose by 0.7% yoy, and the national per capita disposable income reached RMB19,672, representing a nominal yoy growth of 6.5%, and a real yoy growth of 5.8% after removing the price factor.

In the first half of 2023, in terms of the dairy products industry, the dairy products consumer market showed a slow recovery, with the production of the country's sizeable dairy products manufacturing enterprises reaching 15.121 million tonnes during the Reporting Period, representing a yoy increase of 4.6%. In terms of imports, the total amount of dairy products imported into China during the Reporting Period decreased significantly as compared with the Prior Period. As a result of the rising cost of imported dairy products and the development of high-end domestic dairy products, the rising trend of self-sufficiency rate of domestic milk sources accelerated. 1,553,600 tonnes of all kinds of dairy products were imported into China during the first half of 2023, representing a yoy decrease of 12.9%, and the total volume of imported dairy products, equivalent to 9,580,000 tonnes of fresh raw milk, decreased by 8.7% yoy. In terms of the main categories (according to China Customs statistics), in the first half of 2023, China imported a total of 485,600 tonnes of large packets of powder, representing a yoy decrease of 28.2%, 333,400 tonnes of whey products, representing a yoy increase of 31.7%, and 264,200 tonnes of packaged milk, representing a yoy decrease of 32.8%.

In terms of the dairy farming industry, as a result the slowdown in downstream demand for raw milk and the continued high cost of upstream forage, the room for profit of the dairy farming industry has been further compressed, and some enterprises are facing difficulties in their survival. As such, it has become an industry consensus to reduce costs and increase efficiency, and focus on enterprise liquidity risk management. With the optimization and integration of industry resources, the number of large-scale farms increased year by year, which had a positive effect on the long-term sustainable development of the industry. The price of raw fresh milk during the Reporting Period declined as compared with the Prior Period, with the average price of raw fresh milk in the primary dairy-producing provinces (regions) monitored by the Ministry of Agriculture and Rural Affairs in the fifth week of June 2023 being RMB3.79/kg, representing a decrease of 8.0% as compared with the Prior Period; in terms of feed, although the price of forage decreased slightly as compared with the Prior Period, the cost pressure remained severe. According to data monitored by the Ministry of Agriculture and Rural Affairs, the national average price of corn in the fifth week of June 2023 was RMB2.93/kg, representing a yoy decrease of 3.0%, and the national average price of soybean meal was RMB4.30/kg, representing a yoy decrease of 3.4%. On the other hand, the cost of imported forage continued to rise and the total volume of imports declined. According to customs statistics, in the first half of 2023, China imported a total of 585,600 tonnes of hay, representing a yoy decrease of 28.3%, with an average CIF (cost, insurance and freight) price of US$565.32/tonne, representing a yoy increase of 23.0%. In particular, imported alfalfa hay reached 551,900 tonnes, representing a yoy decrease of 25.6%, with an average CIF price of US$573.43/tonne, representing a yoy increase of 23.5%, and imported oat hay reached 33,700 tonnes, representing a yoy decrease of 55.5%, with an average CIF price of US$432.70/tonne, representing a yoy increase of 4.9%.

BUSINESS OVERVIEW

The principal business of the Group is dairy farming, production and sales of high-end desert-based organic raw milk and quality non-organic raw milk. The Group focuses on the production and sales of desert-based organic milk, while satisfying the diversified needs of customers for quality raw milk, and continues to develop a variety of functional raw milk to enrich the Company's product mix and enhance its profitability. The diversified and high-end product mix has enabled the Group to have a clear differentiated competitive advantage in the raw milk industry.

Herd Size

As at 30 June 2023, the Group operated 22 organic farms and 11 non-organic farms, including one fattening cows farm. The Group had 139,897 milkable cows and fattening cows in stock by the end of Reporting Period, representing an increase of 2.6% as compared with the end of the previous year, including 100,368 organic cows in stock, representing an increase of 9.0% as compared with the end of the previous year, and 39,529 non-organic cows in stock by the end of Reporting Period.

	As at	
	30 June 2023	31 December 2022
Number of Farms (number)	**33**	33
Milkable Cows (heads)	**63,158**	64,355
Calves and Heifers (heads)	**68,468**	63,980
Fattening cows[1] (heads)	**8,271**	8,009
Total (heads)	**139,897**	136,344

(1) Fattening cows refer to the number of cows raised on a fattening cows farm.

OPERATION REVIEW

Milk yield per cow reaching a record high and continued growth in organic raw milk sales

In the first half of 2023, the Group's dairy cow production further improved, with the annualized milk yield per milkable cow reaching 10.94 tonnes, representing a yoy increase of approximately 0.41 tonnes, which is the highest dairy cow yield level of the Group since its establishment. Under the current challenging market environment, the increase in dairy cow yields will effectively enhance the profitability of the Company. With the help of improved yields, the Group recorded total raw milk sales of 340,086 tonnes during the Reporting Period, representing a yoy increase of 9.2%. In particular, organic raw milk sales amounted to 261,217 tonnes during the period, representing a yoy increase of 17.3%, with sales volume of organic raw milk accounting for 76.8% of total sales volume of raw milk. The increase in the proportion of sales volume of organic raw milk will further strengthen the Group's profitability. Despite the decline in raw milk prices in the industry, the Group still recorded an increase in sales revenue, which amounted to RMB1,565.0 million for the Reporting Period, representing a yoy increase of RMB16.4 million, benefitting from the increase in milk yield per cow and the optimization of product mix.

Reducing costs and increasing efficiency, feed costs under effective control

The raw milk market faced a severe headwind in the first half of 2023, with the price of raw milk in the industry dropping significantly as compared with the Prior Period. During the Reporting Period, the average sales price of raw milk of the Group was RMB4.6/kg, representing a yoy decrease of 7.4%. Under this situation, the Group actively expanded its cost reduction and efficiency measures by innovating its farm management model, introducing an excellent team to manage the nutrition of dairy cows, optimizing feeding formulae and exploring new technologies and resources. In terms of forage selection, low-cost forage substitution was adopted while also focusing on comprehensive benefit considerations. The optimized forage formula not only effectively controlled feeding costs, but also improved herd health and alleviated the impact of heat on dairy cow production and milk index.

Herd upgrading and optimization, strategic culling of inefficient cows

The Group has actively strengthened its dairy cow breeding capacity in the past few years. Through practical and effective selection and breeding measures, the Group has effectively enhanced the level of accuracy and completeness of the genomic genealogy of dairy cows, and the core indicators such as the pregnancy rate of milkable cows, conception rate and cow retention rate were significantly improved as compared with the Prior Period, among which, the conception rate has reached an industry-leading level. In the first half of the year, in the face of changes in supply and demand in the industry, the Group further carried out a herd upgrading and optimization plan to proactively cull and reduce the number of non-productive cows in order to ensure the continuous improvement of various breeding indices. As a result, the culling rate of the Group's dairy cows in the first half of the year increased as compared with the Prior Period, but in light of the upgrading of the overall quality of the herd, the Company's overall profitability of dairy cow farming will in turn be enhanced. As at 30 June 2023, the number of the Group's entire dairy cows in stock increased by 3,553 cows as compared with the end of last year, and self-reproduction rate of productive biological assets was 2.5%.

Farm management reaching a new level, winning the title of national key leading enterprises

Relying on the resource advantages of the Ulan Buh Desert, the Group are very attentive to the welfare of dairy cows. Relying on the clean desert land, the Group provides a comfortable living environment for dairy cows (warm winters and cool summers in the desert environment), and each farm is equipped with heat protection measures such as fan spraying, as well as warming measures such as windbreaks and temperature-controlled heated water tanks. The internal environment of the farm is clean, and the farm management carries out manure cleaning three times a day. The farm also has a cow exercise yard, with an average of approximately 80 square metres of activity area per cow, providing sufficient space for cows to relax. In addition to this, the farm also has a variety of measures such as a dedicated nutrition team and a professional veterinary team to ensure the welfare of the dairy cows. As a firm believer in high quality organic raw milk, the Group is determined not to use chemical fertilizers and pesticides in the cultivation of forage, and no hormones and antibiotics are used in the feeding of dairy cows. This has enabled the Group's raw milk quality to remain at an industry-leading level, and in the first half of the year, the milk protein rate, milk fat rate, microorganisms <30,000 pass rate, and cell <200,000 pass rate of the Group's raw milk were all further improved as compared with the Prior Period. The improvement of the Group's farm management capability also continued to gain recognition from more industry associations. In the first half of 2023, six of the Group's farms passed GAP certification, seven new farms were Grade S farms in the "Modern Dairy Classification and Evaluation of Dairy Farms". As at the date of this announcement, the Group has a total of 21 Grade S farms, and one organic farm was also awarded the "China Good Agricultural Practice Certification" certificate in the first half of the year. In addition, the Group was awarded as a national key leading enterprise in agricultural industrialization by the Ministry of Agriculture and Rural Affairs of the PRC for its remarkable achievements in promoting agricultural modernization, upgrading the quality and safety standards of agricultural products and promoting the development of the dairy industry, etc.

Organic demonstration park being constructed as scheduled

In order to realize the Group's strategic plan for the future and to achieve growth in organic raw milk sales, the Group commenced the construction of a dairy cow farming demonstration park at the Ulan Buh Desert Base during the previous year. The demonstration park is a high-quality, green and low-carbon dairy cow farming demonstration project under the guidance and support of the local government to promote agricultural modernization and rural development. In the first half of the year, the demonstration park was constructed on schedule, and the preparatory work for the commissioning of the project was carried out in an orderly manner. As at the date of this announcement, the construction of the barn required for the farm has been completed, and the conditions for the entry of the dairy cows into the farm have basically been reached.

Improvement of the co-development mechanism and continuous progress of the long-term incentive scheme

In terms of human resources, as at 30 June 2023, the Group had a total of 2,760 employees (as at 31 December 2022: 2,845 employees). Total staff costs (including the emoluments of Directors and senior management of the Company and restricted share incentives) for the Reporting Period amounted to RMB175.5 million (2022: RMB162.4 million).

The Group provides retirement benefits to employees in Hong Kong through the Mandatory Provident Fund Scheme, life insurance and medical insurance; and pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance and housing fund to employees in mainland China in accordance with the laws of the PRC.

On 21 April 2023, in order to motivate the management team and attract outstanding talents for the performance growth and sustainable development of the Group, a total of 99,954,000 shares, representing approximately 1.19% of the issued shares of the Company as at the date of this announcement were granted to 66 senior and middle management staff of the Group and 1 Director in accordance with the rules of the Share Award Scheme.

FINANCIAL REVIEW

Sales revenue

	For the six months ended 30 June	
	2023	2022
Sales revenue (RMB'000)	**1,565,011**	1,548,581
Sales volume (tonnes)	**340,086**	311,565
Average selling price (RMB/tonne)	**4,602**	4,970

During the Reporting Period, the Group's sales revenue from raw milk amounted to RMB1,565.0 million (2022: RMB1,548.6 million), representing an increase of 1.1% in spite of the generally declining milk prices in the industry, which was mainly attributable to the continuous optimization of product mix and the increase in sales volume.

In terms of product mix optimization, the Group responded to the market demand for high-end products by increasing the production of desert organic raw milk, and successfully launched organic A2 raw milk, achieving a sales volume of 19,910 tonnes during the Reporting Period. The sales volume of desert organic raw milk increased by 17.3% yoy, accounting for 76.8% of the total sales volume of raw milk. The steady increase in the sales volume of organic raw milk further strengthened the Group's leading position in the organic raw milk industry.

The Group has continued to promote lean management to improve operational efficiency. Benefiting from the efficiency of the project on the accuracy and completeness of dairy cow genome genealogy, the quality of the dairy herd continuously improved, and in terms of process control, the Group has strengthened operational management initiatives such as lean grouping to achieve growth in the level of milk production by the dairy cows over successive years, with the annualized yield per milkable cow increasing by approximately 0.41 tonnes yoy to 10.94 tonnes. During the Reporting Period, the Group's daily milk production exceeded 2,000 tonnes for the first time, reaching 2,075 tonnes, of which 1,625 tonnes was organic raw milk. Despite the decline in the Group's stock of milkable cows, the Group achieved a sales volume of raw milk of 340,086 tonnes during the Reporting Period (2022: 311,565 tonnes), representing a yoy increase of 9.2%, which generated significant cash inflow for the Company.

As a result of the downward trend of raw milk prices due to the staged imbalance in the supply and demand of raw milk in the mainland China, the average selling price of the Group's raw milk was RMB4,602 per tonne (2022: RMB4,970 per tonne) during the Reporting Period, representing a yoy decrease of 7.4%.

Cost of sales, gross profit and gross margin

Unit: RMB'000, except for percentages

	For the six months ended 30 June	
	2023	2022
Cost of sales	**1,146,722**	1,035,817
Gross profit	**418,289**	512,764
Gross profit margin	**26.7%**	33.1%

The Group aims to provide consumers with high-quality desert organic milk. The production process of organic raw milk is more stringent as compared to non-organic raw milk, with higher standards for forage quality. At the same time, due to the uniqueness of organic forage, a fully active competitive market has not been formed currently, so the Company emphasizes and strives to control the cost of organic feed more closely. The prices of bulk raw materials in the first half of the year were still at a high level as compared with the Prior Period, the impact of rising feed costs was partially offset as a result of the Company's efforts to enhance efficiency through management measures such as lean operations and cost reduction, and to achieve a record high yield per milkable cow and other key indicators. During the Reporting Period, the Group's average cost of sales of raw milk was RMB3.37/kg (2022: RMB3.32/kg), representing a yoy increase of RMB0.05/kg, of which the feed cost per kilogram of milk was RMB2.75/kg (2022: RMB2.70/kg), representing a yoy increase of RMB0.05/kg. As a result of the combined effect of lower selling prices in the raw milk market and constantly high cost of feeds, the Group's gross profit margin decreased by 6.4% yoy to 26.7% for the Reporting Period.

Loss arising from changes in fair value

Loss arising from changes in fair value mainly represents fair value changes in the dairy cows, due to changes in the physical attributes and market prices of the dairy cows and the discounted future cash flow to be generated by those cows. In general, the value of a heifer increases when it grows up to a milkable cow, as the discounted cash flow from milkable cow is higher than the selling price of heifer. Further, when a milkable cow is ousted and sold, its value decreases.

During the Reporting Period, the Group's loss arising from changes in fair value amounted to RMB286.1 million (2022: RMB197.2 million), representing a yoy increase of RMB88.9 million, mainly due to (i) the increase in the number of culled cows as compared with the Prior Period as the Group proactively culled inefficient cows in order to improve the structure of high-quality milkable cow herd; and (ii) the increase in loss arising from changes in fair value, as a result of the combined impact of the decrease in the market price of raw milk, constantly high cost of feeds, the decrease in the market price of beef and other factors.

Other income and gains

During the Reporting Period, other income and gains amounted to RMB26.4 million (2022: RMB40.1 million), representing a yoy decrease of RMB13.7 million, as the the Prior Period included a gain on disposal of equity interest of RMB25.7 million. Other income and gains mainly include beef cows farming business, government subsidies, interest income and gain (or loss) on disposal of equity interest.

Of which, during the Reporting Period, the Group's beef cows farming business slaughtered 3,520 heads of beef cows and realized sales revenue of RMB39.7 million (2022: RMB26.5 million), representing a yoy increase of 49.8%.

Selling and distribution expenses

Selling and distribution expenses for the Reporting Period were RMB27.0 million (2022: RMB23.5 million), representing a yoy increase of 14.9% due to the yoy increase in the total volume of sales of raw milk, which led to a rise in transportation expenses as compared with the Prior Period. Selling and distribution expenses mainly included logistics and transportation expenses and staff remuneration, etc.

Administrative expenses

During the Reporting Period, administrative expenses amounted to RMB72.7 million (2022: RMB66.6 million), representing a yoy increase of 9.2% and accounting for 4.6% (2022: 4.3%) of the sales revenue. More administrative expenses were recognized in the Reporting Period as compared with the Prior Period due to the different beneficiary period of recognition in respect of share award related expenses (2022: since adoption date of the Share Award Scheme).

Administrative expenses mainly included salaries and benefits for management and administrative employees, travel and transportation expenses, and expenses for intermediaries, services and other types of administration (including equity-settled share award expense).

Other expenses

During the Reporting Period, other expenses amounted to RMB1.1 million (2022: RMB0.7 million). Other expenses mainly include donation expenses.

Finance costs

During the Reporting Period, total finance costs amounted to RMB26.0 million (2022: RMB10.0 million), representing a yoy increase of RMB16.0 million due to the inclusion of gains on currency swaps of RMB25.1 million in the figures for the Prior Period.

The Group continued to strengthen its credit base, optimize its debt structure, reduce financing costs and practise green finance. While the scale of interest-bearing liabilities continued to stabilize yoy, interest rates on bank borrowings were steadily reduced. During the Reporting Period, total interest on borrowings amounted to RMB25.8 million (2022: RMB34.8 million), representing a yoy decrease of 25.9%.

Share of the losses of associates

The Group's associates include: (a) Inner Mongolia Mengniu Shengmu Hi-Tech Dairy Products Co., Ltd. (內蒙古蒙牛聖牧高科乳品有限公司), owned as to 49.0% by the Group, which is primarily engaged in the operating and selling of Shengmu organic liquid milk products; (b) Food Union Shengmu Dairy Co., Ltd. (富友聯合聖牧乳品有限公司) and Inner Mongolia Shengmu Low Temperature Dairy Product Company Limited (內蒙古聖牧低溫乳品有限公司), both of which the Group held minority interests in and are primarily engaged in producing dairy products with raw milk from the Group; (c) Inner Mongolia Yiyingmei Dairy Co., Ltd. (內蒙古益嬰美乳業有限公司), in which the Group held minority interests, produces organic milk powder with raw milk from the Group; and (d) Mudanjiang Liangyuan Technology Limited (牡丹江糧源科技有限公司), which the Group held minority interests in and is primarily engaged in feed processing. During the Reporting Period, the share of losses of the above associates amounted to RMB10.7 million (2022: RMB11.2 million).

Income tax expense

All profits of the Group were derived from its operations in the People's Republic of China (the "**PRC**" or "**China**"). According to the Enterprise Income Tax Law of the PRC (the "**EIT Law**"), the Group's subsidiaries in the PRC are generally subject to a PRC corporate income tax at a rate of 25%. According to the preferential provisions of the EIT Law, the Group's income arising from agricultural activities, such as dairy farming and processing of raw agricultural products, is exempted from enterprise income tax. Under the PRC tax laws and regulations, there is no statutory time limit for such tax exemption as long as the relevant PRC subsidiaries of the Group complete filings with the relevant tax authorities as required.

During the Reporting Period, the Group's income tax expense was RMB0.1 million (2022: Nil).

Profit attributable to owners of the parent company and (loss)/profit attributable to non-controlling interests

As a result of the above combined factors, during the Reporting Period, profit attributable to owners of the parent company was RMB23.3 million (2022: RMB228.8 million), representing a yoy decrease of 89.8%. The Group's cash EBITDA was RMB368.6 million (2022: RMB466.1 million), representing a yoy decrease of 20.9%.

Profit attributable to non-controlling interests mainly represented the profit for the period attributable to dairy farmers with whom we cooperated in relation to dairy farm management of our farms. During the Reporting Period, loss attributable to non-controlling interests amounted to RMB2.1 million (attributable profit for 2022: RMB14.4 million).

Liquidity, financial resources and capital structure

As at 30 June 2023, the Group's total equity amounted to RMB4,180.1 million (as at 31 December 2022: RMB4,261.7 million) and the financial leverage ratio, calculated as interest-bearing bank and other borrowings divided by total equity, was 48.7% (as at 31 December 2022: 43.5%).

As at 30 June 2023, the Group's net borrowings (interest-bearing bank and other borrowings (excluding lease liabilities) net of cash and bank balances) amounted to RMB778.9 million (as at 31 December 2022: RMB891.1 million), representing a decrease of 12.6% as compared with the end of last year.

As at 30 June 2023, the Group's interest-bearing liabilities (excluding lease liabilities) amounted to RMB2,002.7 million (as at 31 December 2022: RMB1,840.2 million), all of which were denominated in RMB, of which RMB1,102.1 million was repayable within one to five years and the rest of the interest-bearing liabilities were repayable within one year.

During the Reporting Period, the interest rates on bank borrowings ranged from 0.87% to 3.26% per annum (for the year ended 31 December 2022: 0.87% to 4.15%).

As at 30 June 2023, the Group had available and unutilized credit facilities of approximately RMB6,879.0 million (as at 31 December 2022: RMB5,202.5 million). Having considered (i) the projected cash flows from operating activities of the continuing operations; and (ii) the existing financial assets and leverage level of the Group, the Directors believe that the Group has sufficient financial assets to settle its debts and to finance its ordinary business operations and contracted capital expenditure as at 30 June 2023.

Charge on assets

As at 30 June 2023, the Group's total restricted bank deposits amounted to RMB114.9 million (as at 31 December 2022: RMB199.9 million), of which RMB29.2 million was given to banks in the PRC as deposits for the issuance of letters of credit and bank drafts, representing a decrease of RMB85.0 million as compared with the end of last year.

Capital commitments

As at 30 June 2023, the Group's capital commitments relating to the acquisition of property, plant and equipment amounted to RMB86.9 million (as at 31 December 2022: RMB5.0 million). During the Reporting Period, construction of a smart farm commenced, resulting in an increase in capital commitments.

Contingent liabilities

As at 30 June 2023, the Group provided guarantees for bank borrowings of RMB112.9 million (as at 31 December 2022: RMB142.9 million) of Bayannur Shengmu High-tech Ecological Forage Co., Ltd (巴彥淖爾市聖牧高科生態草業有限公司). The external guarantees provided by the Group were recognised in the financial statements, adopting the valuation of the guarantees as determined by the independent professional valuer as the best estimate of payment required for the performance of the relevant existing obligations in accordance with the requirements of IFRSs.

Foreign exchange risk

The Group's operations are primarily located in Mainland China and the majority of transactions are conducted in RMB. As at 30 June 2023, the Group had no significant foreign exchange risk in respect of its operations except for cash balances of approximately RMB2.9 million, RMB2.0 million and RMB0.2 million denominated in USD, HKD and EURO. As at 30 June 2023, the Group had not entered into any arrangement to hedge against any foreign exchange fluctuations.

Credit risk

The Group only trades with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit risk related to the Group's other financial assets arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. Since the Group trades only with recognized and creditworthy third parties, collateral is generally not required.

Environmental policies and performance

During the Reporting Period, the Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC.

Material acquisitions and disposals

During the Reporting Period, the Group did not make any material acquisition and disposals of subsidiaries and associates.

Future plans for material investments or acquisition of capital assets and expected source of funding

Save as disclosed above in the section headed "Capital Commitments" and in the section headed "Future Plans and Use of Proceeds" in the prospectus, as at the date of this announcement, the Group does not have any plan for material investments or acquisition of capital assets.

Events after the reporting period

Save as disclosed in this announcement, there was no material subsequent event of the Group from the end of the reporting period to the date of this announcement.

FUTURE OUTLOOK

The "14^{th} Five-Year Action Plan to Enhance the Competitiveness of the Dairy Industry", issued by the Ministry of Agriculture and Rural Affairs, states that by 2025, national milk production is expected to reach about 41 million tonnes, and the proportion of large-scale farm above 100 heads will reach approximately 75%. The proportion of large-scale farms with cows and forage and production facilities will increase by about 5 percentage points. The linkage between farming and processing interests has become closer and more diverse, which in turn enhances the competitiveness of the domestic dairy industry. Under the strong empowerment of national policies and industrial resources, the Group, relying on the unique resource endowment of the Ulan Buh Desert, will push forward the implementation of various business goals and strive to achieve the strategic goal for the growth of doubling the sales of organic raw milk by 2025 from that of 2020.

In the second half of 2023, the supply and demand situation of the industry will remain severe, and effectively improving the internal lean management capability of the enterprise is an important measures to cope with the external uncertainties. The Group will focus on important matters such as overall cost control, herd optimization, silage acquisition, commissioning of smart farm and digital intelligence transformation to achieve a breakthrough in the Group's operational capability. The Group will carry out the exploration of digital intelligence in the front-end business, in order to realize standardized farming for production operations, standardized pointers, visualized models, digitalized operations and management, as well as a scenario-based and smart management system, upgrading the Group's management model from a "farm" to a "factory" management model. The construction of digital intelligence will further enhance the Group's overall control capability, process standardization capability, refinement management capability and industrial synergy capability. The Group aims to transform digitally and become a data-driven, intelligent-leading dairy enterprise in the future.

CORPORATE GOVERNANCE PRACTICES

The Company ensures that the Company and its subsidiaries are committed to achieving and maintaining high standards of corporate governance. The Board understands the influence and importance of high standards of corporate governance on the value of the Company, and that good corporate governance is in the interest of the Company and its shareholders as a whole.

During the Reporting Period, we had adopted, applied and complied with the code provisions contained in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") (as amended from time to time).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific queries to the Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the Trustee bought a total of 90,343,000 ordinary shares of the Company as restricted shares in the open market in accordance with the rules of the Share Award Scheme at a total consideration of approximately HK$33,291,000 (equivalent to approximately RMB30,574,000).

AUDIT COMMITTEE

As at 30 June 2023, the Audit Committee comprised two independent non-executive Directors (Mr. WANG Liyan and Mr. WU Liang) and a non-executive Director (Mr. ZHANG Ping), and was chaired by Mr. WANG Liyan.

The Audit Committee has reviewed, with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control system and financial reporting matters, including the review of the unaudited interim results of the Group for the six months ended 30 June 2023.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the six months ended 30 June 2023 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong

Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

DIVIDEND DISTRIBUTION

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.youjimilk.com. The interim report of the Company for the 2023 interim period containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to our shareholders for their continued support to the Group, and to all our staff for their hard work and loyal service.

By Order of the Board
China Shengmu Organic Milk Limited
Lu Minfang
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the executive Director of the Company is Mr. Zhang Jiawang; the non-executive Directors of the Company are Mr. Lu Minfang, Mr. Sun Qian, Mr. Zhang Ping, Mr. Zhao Jiejun and Ms. Shao Lijun; and the independent non-executive Directors of the Company are Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng.