澳优
Ausnutria

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	2023	2022	*Change*
	RMB'M	*RMB'M*	*%*
Revenue	**7,382.0**	7,795.5	**(5.3)**
Gross profit	**2,852.6**	3,392.8	**(15.9)**
Gross profit margin *(%)*	**38.6**	43.5	**(4.9) pps**
EBITDA	**474.5**	484.5	**(2.1)**
Profit attributable to equity holders of the Company	**174.4**	216.5	**(19.4)**
Final dividend per share *(HK$)*	**0.05**	0.06	**(16.7)**

For the year ended 31 December 2023 (the "**Year 2023**"), Ausnutria Dairy Corporation Ltd ("**Ausnutria**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") recorded the followings:

- Revenue decreased by RMB413.5 million or 5.3%.
- Gross profit decreased by RMB540.2 million or 15.9%.
- EBITDA decreased by RMB10.0 million or 2.1%.
- Profit attributable to equity holders of the Company decreased by RMB42.1 million or 19.4%.

In addition, the board (the "**Board**") of directors (the "**Directors**") of the Company has recommended the payment of a final dividend of HK$0.05 (2022: HK$0.06) per share of the Company (the "**Share**") for the Year 2023.

The Board hereby announces the audited consolidated financial results of the Group for the Year 2023 together with the comparative figures for the year ended 31 December 2022 (the "**Year 2022**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(All amount in RMB unless otherwise stated)

	Notes	**2023** **RMB'000**	2022 *RMB'000*
Revenue	*4*	**7,382,007**	7,795,512
Cost of sales	*5*	**(4,529,457)**	(4,402,707)
Gross profit		**2,852,550**	3,392,805
Selling and distribution expenses	*5*	**(1,907,975)**	(2,167,165)
Administrative expenses	*5*	**(535,412)**	(604,217)
Research and development expenses	*5*	**(132,025)**	(197,101)
Net impairment losses on financial assets		**(8,543)**	(16,133)
Other income, other gains/(losses) – net	*6*	**13,080**	(133,518)
Operating profit		**281,675**	274,671
Finance costs		**(57,727)**	(14,943)
Share of profits and losses of investments accounted for using the equity method		**(22,147)**	11,598
Impairment of investments accounted for using the equity method		**–**	(20,049)
Profit before income tax		**201,801**	251,277
Income tax expense	*7*	**(32,945)**	(62,934)
Profit for the year		**168,856**	188,343
Attributable to:			
The equity holders of the Company		**174,387**	216,526
Non-controlling interests		**(5,531)**	(28,183)
		168,856	188,343
Earnings per share attributable to the equity holders of the Company	*9*		
– Basic earnings per share *(RMB cents)*		**9.70**	12.08
– Diluted earnings per share *(RMB cents)*		**9.70**	12.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023
(All amount in RMB unless otherwise stated)

	2023 *RMB'000*	2022 *RMB'000*
Profit for the year	**168,856**	188,343
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**66,277**	(134,888)
Item that will not be reclassified to profit or loss		
Remeasurement income on the defined benefit plan, net of tax	**92**	1,001
Exchange differences on translation of foreign operations	**49,523**	298,331
Total other comprehensive income for the year	**115,892**	164,444
Total comprehensive income for the year	**284,748**	352,787
Attributable to:		
The equity holders of the Company	**283,233**	391,110
Non-controlling interests	**1,515**	(38,323)
	284,748	352,787

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

(All amount in RMB unless otherwise stated)

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,139,682**	2,521,841
Investment property		**132,612**	116,925
Right-of-use assets		**140,563**	271,937
Goodwill		**192,225**	102,323
Other intangible assets		**508,366**	472,046
Investments accounted for using the equity method		**318,793**	364,368
Financial assets at fair value through profit or loss		**28,145**	28,009
Prepayments, deposits and other assets		**85,518**	113,337
Long-term time deposits		**40,871**	–
Deferred tax assets		**366,119**	442,857
Total non-current assets		**4,952,894**	4,433,643
Current assets			
Inventories		**2,089,409**	2,226,735
Trade and bills receivables	*10*	**590,861**	661,903
Prepayments, other receivables and other assets		**256,088**	442,685
Income tax recoverable		**101,192**	37,213
Derivative financial instruments		**–**	6,808
Restricted cash		**5,712**	125,248
Cash and cash equivalents		**2,037,602**	1,861,860
Total current assets		**5,080,864**	5,362,452
Total assets		**10,033,758**	9,796,095

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Current liabilities			
Trade and bills payables	*11*	**516,960**	559,808
Other payables and accruals		**716,229**	822,555
Contract liabilities		**451,316**	1,036,288
Interest-bearing bank loans and other borrowings		**2,377,952**	1,021,632
Lease liabilities		**16,623**	70,415
Income tax payable		**11,179**	89,916
Total current liabilities		**4,090,259**	3,600,614
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**–**	443,982
Lease liabilities		**21,025**	24,407
Defined benefit plan		**1,823**	1,952
Deferred revenue		**81,020**	82,064
Deferred tax liabilities		**81,339**	74,987
Other liabilities		**9,096**	3,033
Total non-current liabilities		**194,303**	630,425
Total liabilities		**4,284,562**	4,231,039
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*12*	**154,226**	156,061
Reserves		**5,539,242**	5,490,510
		5,693,468	5,646,571
Non-controlling interests		**55,728**	(81,515)
Total equity		**5,749,196**	5,565,056
Total equity and liabilities		**10,033,758**	9,796,095

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(All amount in RMB unless otherwise stated)

	2023	2022
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	**224,711**	(357,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(609,974)**	(571,513)
Additions to other intangible assets	**(74,052)**	(133,030)
Payments for acquisition of investments accounted for using the equity method	**(175,506)**	(28,407)
Proceeds from disposal of financial assets at fair value through profit and loss	**1,000**	–
Purchases of financial assets at fair value through profit and loss	**–**	(8,009)
Increase in time deposits with maturity more than 3 months	**(40,871)**	–
Proceeds from disposal of a subsidiary – net	**111,021**	5,500
Proceeds from disposal of property, plant and equipment	**13,652**	11,475
Proceeds from acquisition of subsidiaries – net	**21,190**	–
Dividends received	**12,623**	–
Net cash flows used in investing activities	**(740,917)**	(723,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	739,024
New bank loans and other borrowings	**2,450,105**	847,081
Repayments of bank loans	**(1,624,201)**	(528,784)
Principal portion of lease payments	**(82,012)**	(57,507)
Acquisition of non-controlling interests	**(77,396)**	–
Contributions from non-controlling shareholders	**–**	1,800
Repurchase of shares	**–**	(36,397)
Dividends paid to the equity holders of the Company	**(98,460)**	(430,176)
Dividends paid to non-controlling shareholders	**(5,119)**	(922)
Decrease in restricted cash	**119,536**	129,989
Net cash flows generated from financing activities	**682,453**	664,108
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**166,247**	(417,413)
Cash and cash equivalents at beginning of year	**1,861,860**	2,262,188
Effect of foreign exchange rate changes, net	**9,495**	17,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,037,602**	1,861,860

1 CORPORATE INFORMATION

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

The Company acts as an investment holding company of the Group. During the year, the Group is principally engaged in the research and development ("**R&D**"), 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 Hongkong Jingang Trade Holding Co., Limited ("**Jingang Trade**") and Inner Mongolia Yili Industrial Group Co., Ltd. ("**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 (including derivative instruments) measured at fair value; and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.2 Change in accounting policies

(a) New and amended standards adopted by the Group

The following new and amended accounting standards and interpretations have been adopted by the Group for the first time to the financial reporting periods commencing on or after 1 January 2023:

		Effective for accounting periods beginning on or after
IFRS 17	Insurance contracts	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12 (Amendments)	International tax reform – the Pillar Two model rules	Immediately, except for certain disclosures

The amendments listed above did not have any 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, amendments to accounting standards and interpretations have been published that are not mandatory for the reporting period beginning on 1 January 2023 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
IFRS 16 (Amendments)	Leases liability in a sale and leaseback	1 January 2024
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
IAS 21 (Amendments)	Lack of exchangeability	1 January 2025
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(c) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which will be effective from 1 May 2025 (the "**Transition Date**"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("**MPF Benefits**") of an entity would no longer be eligible to offset against its obligations on long service payment ("**LSP**") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in IAS 19 paragraph 93(b) (the "**practical expedient**") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "**Guidance**") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a "simple type of contributory plans" to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with IAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance.

Obligations on LSP accrued was immaterial for the Group; therefore, the above mentioned change in accounting policy does not have significant impact to the consolidated financial statements of the Group.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and had two reportable operating segments in 2023 as follows:

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

(b) the nutrition products segment comprises the manufacturing and sale of nutrition products (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 and long-term time deposits as these assets are managed on a group basis.

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

	Dairy and related products *RMB'000*	Nutrition products *RMB'000*	Total *RMB'000*
Year ended 31 December 2023			
Segment revenue *(Note 4)*			
Sales to external customers	**7,097,545**	**284,462**	**7,382,007**
Intersegment sales	**–**	**–**	**–**
	7,097,545	**284,462**	**7,382,007**
Rental income *(Note 6)*	**4,475**	**–**	**4,475**
Segment results	**293,108**	**(36,479)**	**256,629**
Reconciliation:			
Interest income *(Note 6)*			**35,706**
Finance costs (other than interest on lease liabilities)			**(55,066)**
Corporate and other unallocated expenses			**(39,943)**
Profit before tax			**201,801**
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**
Year ended 31 December 2023			
Other segment information			
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	**(22,171)**	**24**	**(22,147)**
Investments accounted for using the equity method	**317,769**	**1,024**	**318,793**
Depreciation and amortisation	**232,896**	**17,773**	**250,669**
Capital expenditure*	**554,185**	**110,414**	**664,599**

	Dairy and related products *RMB'000*	Nutrition products *RMB'000*	Total *RMB'000*
Year ended 31 December 2022			
Segment revenue *(Note 4)*			
Sales to external customers	7,662,551	132,961	7,795,512
Intersegment sales	–	–	–
	7,662,551	132,961	7,795,512
Rental income *(Note 6)*	3,282	–	3,282
Segment results	404,799	(141,738)	263,061
Reconciliation:			
Interest income *(Note 6)*			38,193
Finance costs (other than interest on lease liabilities)			(11,661)
Corporate and other unallocated expenses			(41,598)
Profit before tax			251,277
As at 31 December 2022			
Segment assets	7,821,974	331,254	8,153,228
Reconciliation:			
Elimination of intersegment receivables			(344,241)
Corporate and other unallocated assets			1,987,108
Total assets			9,796,095
Segment liabilities	2,733,391	376,275	3,109,666
Reconciliation:			
Elimination of intersegment payables			(344,241)
Corporate and other unallocated liabilities			1,465,614
Total liabilities			4,231,039
Year ended 31 December 2022			
Other segment information			
Impairment losses recognised in profit or loss	388,333	60,095	448,428
Share of profits and losses of investments accounted for using the equity method	19,937	(8,339)	11,598
Investments accounted for using the equity method	176,089	188,279	364,368
Depreciation and amortisation	243,573	12,901	256,474
Capital expenditure*	697,519	7,024	704,543

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

Non-current assets

	2023	2022
	RMB'000	*RMB'000*
The PRC	**1,255,851**	1,197,189
The Netherlands	**3,088,252**	2,555,553
Australia and New Zealand	**242,672**	238,044
	4,586,775	3,990,786

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

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**7,382,007**	7,795,512

Disaggregated revenue information

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

Segments

	Year ended 31 December 2023		
	Dairy and related products	**Nutrition products**	**Total**
	RMB'000	***RMB'000***	***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 information

	Year ended 31 December 2023		
	Dairy and related products	Nutrition products	Total
	RMB'000	*RMB'000*	*RMB'000*
Geographical markets			
The PRC	**5,611,092**	**276,697**	**5,887,789**
European Union	**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**
New Zealand	**1,364**	**–**	**1,364**
Others	**36,258**	**–**	**36,258**
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**

	Year ended 31 December 2022		
	Dairy and related products	Nutrition products	Total
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of goods	7,652,048	132,961	7,785,009
Rendering services	10,503	–	10,503
Total revenue from contracts with customers	7,662,551	132,961	7,795,512

	Year ended 31 December 2022		
	Dairy and related products *RMB'000*	Nutrition products *RMB'000*	Total *RMB'000*
Geographical markets			
The PRC	6,436,059	127,497	6,563,556
European Union	739,371	–	739,371
Middle East	167,577	–	167,577
North and South America	153,319	–	153,319
Southeast Asia	118,931	–	118,931
Australia	30,480	5,464	35,944
New Zealand	3,918	–	3,918
Others	12,896	–	12,896
Total revenue from contracts with customers	7,662,551	132,961	7,795,512
Timing of revenue recognition			
At a point in time	7,652,048	132,961	7,785,009
Over time	10,503	–	10,503
Total revenue from contracts with customers	7,662,551	132,961	7,795,512

Information about major customers

During the year, there was no revenue from a single external customer accounting for 10% or more of the Group's total revenue (2022: Nil).

5 EXPENSE BY NATURE

	Note	**2023** ***RMB'000***	2022 *RMB'000*
Raw materials, packaging materials, consumables and purchased commodity used		**3,726,729**	3,278,221
Changes in inventories of finished goods		**(313,745)**	(22,630)
Employee benefit expenses, including directors' emoluments	*(i)*	**1,323,809**	1,481,025
Promotion and advertising expenses		**1,077,724**	1,207,261
Write-downs of inventories to net realisable value		**273,405**	224,302
Depreciation of property, plant and equipment		**157,179**	146,239
Transportation expenses		**135,054**	177,476
Office expenses		**114,558**	95,659
Laboratory expenses		**82,116**	106,245
Consulting expenses		**71,300**	91,433
Amortisation of other intangible assets		**65,960**	66,873
Repair and maintenance expenses		**65,473**	68,390
Travel and entertainment expenses		**63,733**	132,459
Short-term rental expenses		**55,975**	17,567
Sampling expenses		**54,022**	91,385
Depreciation of right-of-use assets		**23,219**	39,594
Auditors' remunerations			
– Audit and other assurance services		**12,935**	13,820
Depreciation of investment property		**4,311**	3,768
Impairment of property, plant and equipment		**25,099**	5,199
Impairment of other intangible assets		**–**	20,734
Others		**86,013**	126,170
		7,104,869	7,371,190

(i) Employee benefit expenses (including directors' remuneration)

	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and staff expenses	**976,312**	938,327
Temporary staff costs	**129,565**	302,634
Other employee related expenses	**129,164**	157,898
Pension scheme contributions*	**88,768**	77,258
Cancellation of equity-settled share option arrangements	**–**	4,908
	1,323,809	1,481,025
Restructuring costs *(Note 6)*	**38,873**	–
Total employee benefit expenses	**1,362,682**	1,481,025

* *As at 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).*

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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Government grants*	**80,446**	27,546
Interest income	**35,706**	38,193
Rental income	**4,475**	3,282
	120,627	69,021
Other gains/(losses) – net		
Restructuring costs	**(38,873)**	–
Foreign exchange losses, net	**(23,161)**	(9,501)
Charitable donations	**(6,406)**	(11,680)
Gain on disposal of a subsidiary	**–**	1,949
Impairment of goodwill	**–**	(162,011)
Others	**(39,107)**	(21,296)
	(107,547)	(202,539)
Total other income, other gains/(losses) – net	**13,080**	(133,518)

* *The amount mainly represented incentive income received from the government in Mainland China, where the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies relating to these grants.*

7 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%. Ausnutria Dairy (China) Co., Ltd., 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% up to the year ended 31 December 2023.

Under the Netherlands income tax laws, enterprises are subject to the Netherlands CIT rate of 19% (2022: 15%) for the first EUR200,000 (2022: EUR395,000) taxable profits and 25.8% (2022: 25.8%) for taxable profits exceeding EUR200,000 (2022: EUR395,000). 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 R&D in the past years. The preferential tax rates are 7% and 9% for the periods from 2018 to 2020 and from 2021 to 2024, respectively, on earnings that were or are to be generated by qualifying intellectual property.

Under Hong Kong tax laws, profits tax has been provided at the rate of 16.5% on the assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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 rates, and a reconciliation of the statutory rates to the effective tax rates, are as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**201,801**	251,277
Income tax at the statutory income tax rate	**52,466**	61,581
Tax effects on preferential tax rates	**(16,417)**	(74,041)
Income not subject to tax	**–**	(17,713)
Non-deductible items and others, net	**4,111**	55,470
Profits and losses attributable to associates and joint ventures	**5,002**	2,516
Additional deduction of R&D and other expenses	**(10,446)**	(25,119)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**22,162**	27,789
Utilisation of previously unrecognised tax losses	**(751)**	(5,644)
Reversal of previously recognised tax losses	**–**	47,877
Changes in balance of deferred tax assets due to adjustment in tax rate	**–**	(35,152)
Withholding tax on profits retained by PRC subsidiaries	**10,467**	22,492
Adjustments for current tax of prior periods	**(4,713)**	2,878
Deferred tax related to loss of investment in a subsidiary	**(28,936)**	–
Tax charge at the Group's effective rate	**32,945**	62,934

8. DIVIDEND

	2023	2022
	RMB'000	*RMB'000*
Proposed final dividend – HK$0.05 (2022: HK$0.06) per ordinary share	**80,659**	96,479

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

The dividends paid by the Company in 2023 and 2022 for the years ended 31 December 2022 and 2021 amounted to approximately RMB98,460,000 and RMB430,176,000 respectively.

A dividend in respect of the year ended 31 December 2023 of HK$0.05 per share, amounting to a total dividend of RMB80,659,000 was proposed by the directors on the board of directors meeting held on 27 March 2024 and is to be proposed for approval at the AGM to be held on 30 May 2024. These consolidated financial statements do not reflect this dividend payable.

9 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 1,797,098,142 (2022: 1,792,267,948) in issue during the year.

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

Earnings

	2023	2022
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**174,387**	216,526

Shares

	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**1,797,098,142**	1,792,267,948
Effect of dilution – weighted average number of ordinary shares: share options	**–**	–
	1,797,098,142	1,792,267,948
Basic		
– For profit for the year *(RMB cents)*	**9.70**	12.08
Diluted		
– For profit for the year *(RMB cents)*	**9.70**	12.08

10 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables from third parties	**447,529**	470,931
Trade receivables from related parties	**153,414**	172,083
	600,943	643,014
Bills receivables	**6,120**	40,839
Less: Provision for impairment of trade receivables	**(16,202)**	(21,950)
	590,861	661,903

The Group normally allows a credit period from 1 to 6 months (2022: 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**502,257**	529,118
3 to 6 months	**42,240**	52,222
6 months to 1 year	**24,290**	20,798
Over 1 year	**32,156**	40,876
	600,943	643,014

11 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables to third parties	**468,541**	522,684
Trade payables to related parties	**45,777**	25,615
	514,318	548,299
Bills payables	**2,642**	11,509
	516,960	559,808

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	
	2023	2022
	RMB'000	*RMB'000*
Within 12 months	**510,993**	556,458
Over 12 months	**5,967**	3,350
	516,960	559,808

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

12 SHARE CAPITAL

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Issued and fully paid:		
1,780,111,841 (2022: 1,800,111,838) ordinary shares of HK$0.10 each	**178,011**	180,011

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

	Notes	**Number of shares in issue** *'000*	**Share capital** *RMB'000*
As at 1 January 2022		1,718,546	149,485
Issue of shares	*(a)*	90,000	7,346
Repurchase of shares	*(b)*	(8,434)	(770)
As at 31 December 2022		1,800,112	156,061
Cancellation of shares	*(c)*	(20,000)	(1,835)
As at 31 December 2023		1,780,112	154,226

Notes:

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

(b) During the year ended 31 December 2022, the Company repurchased 8,434,000 Shares at a total consideration of HK$39,863,000 (equivalent to approximately RMB36,397,000).

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

CHAIRMAN'S STATEMENT

2023 marked the 20th year in the development of Ausnutria. It was also an unprecedented year. Throughout 2023, the turbulent international relations increased the level of uncertainties. In the PRC, the economy slowed down with relatively insufficient consumption willingness, the infant formula (the "**IMF**") industry experienced intensified consolidation with increasing market concentration, and accelerating technological advancements have turned cross-sectoral integration into the new normal. Despite all these, the entire staff of Ausnutria across the globe made concerted efforts, successfully achieved hard-won progresses and results which led to steady growth in such a complicated macro-environment.

I. Stable Growth of Core Businesses and Moving Towards a New Chapter

Revenue of the Company for 2023 amounted to RMB7,382.0 million, representing a year-on-year ("**YoY**") decrease of RMB413.5 million or 5.3%. Gross profit was RMB2,852.6 million, representing a YoY decrease of RMB540.2 million or 15.9%. Net profit attributable to the equity holders of the Company amounted to RMB174.4 million, representing a YoY decrease of RMB42.1 million or 19.4%. Nevertheless, the Company's own-branded goat milk formulas ("**Kabrita**") fortified its leadership position in terms of market share in the PRC. In respect of the international business, Kabrita's goat milk formulas experienced rapid growth in several markets around the world and continued to rank first among goat milk formulas across the globe. The Company's own-branded cow milk formulas also witnessed a YoY improvement in profits, while the nutrition business maintained rapid growth in revenue.

II. Persistent Pursuit in the Nutrition and Health Industry with Multiple Accolades

Attributed to its innovation and development in the fields of nutrition and health, the Company became the only food and nutrition enterprise in Hunan Province, the PRC to obtain the "National May Day Labour Medal（全國五一勞動獎章）". Ausnutria ranked 7th among advanced organisations in the "2nd New Hunan Contribution Award（第二屆新湖南貢獻獎）" and 27th in the Top 100 Private Enterprises in Hunan（三湘民營企業百強榜）. Ausnutria also received high praise from the society by proactively fulfilling its social responsibilities and continuing to make charitable donations. In June 2023, the Company became the first company in the PRC food industry whose sustainability report received a rating of AA by Morgan Stanley Capital International ("**MSCI**").

III. Remarkable Brand-Building Efforts and Rising Brand Influence

In October 2023, Ausnutria participated in the China International Import Expo in Shanghai to showcase several new products as well as new brand IPs and images to show its strength in terms of globalised development. Meanwhile, our top brands of own-branded cow and goat milk formula businesses further increased their brand-building investment. In particular, Kabrita recorded over 15 billion public appearances during the year, thereby increasing its brand equity by 20% as compared with 2022. Our own-branded cow milk formula Hyproca also unleashed its brand potential by accurately positioning itself in the niche market as a premium imported brand. Aunulife, on the other hand, became one of the top 3 children probiotic brands in terms of purchases.

IV. Extension of Product Range and Diversification of Product Mix with Scheduled Launch of New Products

In respect of our own-branded goat milk formulas, Kabrita YueHu（悅護）was widely favoured by channels and consumers and was highly sought-after since its launch. With respect to our own-branded cow milk formulas, Hyproca Nutrient Star（海普諾凱營養星球）was proudly launched to provide consumers with an additional nutritious choice, while Allnutria Jinz（能立多金鑽版）broadened the brand's portfolio. As for nutrition products, the roll-out of Aunulife AnMin（愛益森安敏）and new products of the Aunulife Daily Supplements（愛益森每日營養系列）was on schedule, while NC Gastro Repair（NC固胃淨優膠囊）and NC Daily Probiotics Gold (NC每日冷鏈益生菌）had made their first global appearances. All these have demonstrated the strength of Ausnutria's globalised product portfolio.

V. Persistent In-house Innovation and Development with Ample Achievements in Scientific Research

In the innovative R&D arena, Ausnutria also yielded ample achievements during the year. In July, the Group fulfilled all requirements set out by the United States Food and Drug Administration (the "**US FDA**") for Kabrita and successfully entered the market of the United States of America (the "**US**") for marketing and distributing the infant goat milk formula (0-12 months) of Kabrita ("**Kabrita IMF**"). Kabrita IMF was the first IMF product produced in Europe that has fulfilled the US FDA's requirements. In September, with the support of the People's Government of Hunan Province, the PRC, Ausnutria was approved to initiate the establishment of the Hunan Province Infant Formula Technology Innovation Center（湖南省孕嬰童食品技術創新中心）, laying down the foundation for a new scientific research and innovation hub. In November, the Probiotics Industrialisation Production Demonstration Line of Bioflag Nutrition Corporation Ltd ("**Bioflag**") formally commenced production and has become the only national-level demonstrative probiotics production line in the PRC which will boost the development of Ausnutria's overall health business. Accordingly, Ausnutria became the only enterprise with a complete probiotic industry chain in the PRC dairy industry. In addition, the results of the "Separation, Selection and Industrialised Application of Dog- and Cat-based Probiotics（犬、貓源益生菌的分離篩選及產業化應用）", a scientific research project completed in collaboration with China Agricultural University, was assessed as international advanced technological standards and filled in the relevant gap in the market.

VI. Improvement in Global Supply Chain Network Development, Enhancement of Supply Efficiency and Product Quality, and Reduction in Operating Costs

As to supply chain development, the main structure of the Moon Factory in the Netherlands has been completed. Production efficiency and supply chain costs have been improved by establishing a comprehensive coordination and planning system for the three existing packaging factories and formulating a complete chain that spans from planning and ordering to procurement and production. Transportation efficiency and the freshness of imported products have also been effectively enhanced by realising quick deployment of products from the Netherlands and reducing rail transportation time. Our procurement costs have also been effectively reduced through engaging in procurement collaborations across the globe.

VII. New Breakthroughs in Digitalisation to Support Both Business Development and Management

In 2023, the digitalisation centre achieved new breakthroughs in terms of, among other things, member, channel, marketing, business and financial digitalisation in accordance with the Group's business needs and has been in line with its "four horizontal and five vertical" overall digitalisation framework.

VIII. Outlook

Looking forward to 2024, the macro-environment remains uncertain, the trend for industry reduction continues, consumers' demand becomes more diverse and market competition intensifies. To succeed in the fierce competition, we have to stay strategically focused and strengthen our execution capability. 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 2024, we will nurture and maintain the stable growth of both core businesses, namely own-branded cow and goat milk formula businesses, and strive for the continuous and rapid growth of Kabrita international and nutrition businesses. We will also continue to expand and strengthen core operations and brands according to our strategic road maps; fight for the leadership position in the domestic probiotics market by unleashing the strength of our complete nutrition product industry chain; and achieve breakthroughs in terms of sales in core markets such as the US and the Middle East by upholding our globalised marketing strategy;

2) We will build up our core strengths and perfect our management systems. In accordance with Ausnutria's five-year strategic plan, we will take practical steps to bolster our core competitive strengths in five aspects, namely brand, product, channel, organisational and digital powers. We will also further perfect and rapidly roll out all management systems and procedures, digitalise the whole operation, implement lean management, increase operational efficiency and improve overall cost control and profitability;

3) We will strive for growth by way of innovation. As the industry in which Ausnutria operates has a relatively long history, one of our key tasks is to attract the next generation of consumers. Going forward, we have to make further efforts in capturing market trends and opportunities, closely monitor market developments and outrun our peers with dogged determination and great diligence by thoroughly understanding the market and analysing our competitors. Ausnutria will step up its investment in innovation and R&D, reinforce the protection of intellectual properties, utilise all sorts of resources in an effective manner, promote industry collaborations and enhance the overall competitiveness of its industry chain through technological innovations; and

4) We will take good care of, and share our growth with, our employees who are the most precious asset of an enterprise. Therefore, we have to listen to our employees, care about their growth, maintain good work environments and development platforms, share the fruit of our corporate growth with them, and make everyone in Ausnutria proud of their jobs. At the same time, we will stay conscious of the shifts in social development, fulfil our social responsibilities, build a harmonious society and create a bright future as a responsible consumer goods company.

INDUSTRY OVERVIEW

Affected by the declining birth rates and weak domestic demand in recent years, the PRC IMF industry and market faced challenges. According to relevant industry data, the PRC IMF industry recorded a YoY double-digit percentage decrease in its overall scale in the Year 2023. To compete under market shrinkage, industry players proactively upheld market prices and controlled their inventory levels and product delivery in the Year 2023 with the aim of restoring market order. Furthermore, the promulgation and implementation of new national standards (the "**New GB**") in February 2023 resulted in the elimination of certain uncompetitive players, sped up market consolidation and in turn provided industry leaders with new room for development.

Recent data from the National Bureau of Statistics of China showed that the number of newborns in the PRC in 2023 was 9.02 million, which exceeded market expectations and exhibited a slowdown in its decline. 2024 is the year of the dragon, which represents luck, power and prestige in Chinese culture. The positive connotation of the year is expected to boost the number of births in 2024 and in turn benefit the IMF industry as a whole.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

Revenue

					Proportion to total revenue	
		2023	2022	Change	**2023**	2022
	Notes	***RMB'M***	*RMB'M*	*%*	*%*	*%*
Own-branded formula milk powder products:						
Cow milk (in the PRC)	*(i)*	**2,562.3**	2,923.5	(12.4)	**34.7**	37.5
Goat milk (in the PRC)	*(i)*	**2,898.5**	3,325.3	(12.8)	**39.3**	42.7
Goat milk (elsewhere)	*(i)*	**384.5**	265.7	44.7	**5.2**	3.4
Goat milk total		**3,283.0**	3,591.0	(8.6)	**44.5**	46.1
		5,845.3	6,514.5	(10.3)	**79.2**	83.6
Private Label and others:						
Private Label	*(ii)*	**244.4**	207.7	17.7	**3.3**	2.7
Others	*(iii)*	**1,007.8**	940.3	7.2	**13.6**	12.0
Private Label and others total		**1,252.2**	1,148.0	9.1	**16.9**	14.7
Dairy and related products		**7,097.5**	7,662.5	(7.4)	**96.1**	98.3
Nutrition products	*(iv)*	**284.5**	133.0	113.9	**3.9**	1.7
Total		**7,382.0**	7,795.5	(5.3)	**100.0**	100.0

Notes:

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

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

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

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

The Group recorded revenue of RMB7,382.0 million for the Year 2023, representing a decrease of RMB413.5 million, or 5.3%, from RMB7,795.5 million for the Year 2022. The decrease in revenue was mainly due to the external factor of the declining birth rate in the PRC, which led to intensified competition in the industry.

The decrease was partly compensated by the (i) significant surge in the performance of Kabrita overseas; and (ii) growth in the nutrition segment contributed by the consolidation of the probiotic business as a result of the acquisition of additional interest in Bioflag (together with its subsidiaries, the "**Bioflag Group**") on 3 January 2023.

Own-branded cow milk formulas

For the Year 2023, the Group's revenue derived from its own-branded cow milk formulas amounted to RMB2,562.3 million, representing a YoY decrease of RMB361.2 million or 12.4% and accounted for the Group's total revenue of 34.7% (Year 2022: 37.5%). The decrease in milk powder sales was primarily due to the overall declining market resulted from lower birth rate and decreased demands affecting the entire IMF industry in Mainland China. To boost its competitive strength and optimise its resources allocation, the Group further consolidated two major cow milk formula business units ("**BU(s)**"), namely Hyproca Bio-Science and Allnutria, in the second quarter of 2023. The Group believes that after the consolidation, its cow and goat milk dual business model will better serve consumers with diverse needs. Such integration and sales team organisation updates affected the sales of the own-branded cow milk formulas to a certain extent in the short run, but will result in increase of profitability, and further build competitive strength in the long run.

In respect of channels, Hyproca 1897 (one of the Group's core brands) turned over a new leaf in its channel empowerment strategy in February 2023 and officially launched the "Hyproca 1897 Honour-win Maternal and Infant Alliance(荷天下母嬰聯盟)" that focuses on the latest market trends, channel profitability and new customers. In September, Hyproca's National Distributor Summit was held in Chengdu. Representatives from distributors across the nation gathered to discuss and formulate future plans for high-quality development that caters to the new circumstances and trends in the maternal and children products market.

With respect to brand development, the Group's cow milk formula BU adhered to its brand concept of "Comprehensive Nutrition, Decades of Research(全面營養，百年精研)" and strived to deliver "professional products" and "premium brands". It continued to maximise the impact of its brand-building efforts by accurately engaging as many target customers as possible through trending dramas on a number of video and television platforms. In the offline sector, the Group collaborated with its ambassadors to capitalise on the most suitable upmarket promotional activities. In June, the first live global source tracking programme jointly produced by Hyproca 1897 and the news channel of China Central Television ("**CCTV**") premiered. This programme showcased century-old farms and the Group's production lines in the Netherlands to 20 million new mothers. It also demonstrated the Group's premium milk source, top quality dairy cattle and sophisticated dairy technologies in the Netherlands to the Chinese consumers, as well as helped building the consumers' trust in the quality and strength of the Group's brands. In July, "Ausnutria Foundation's Hyproca Tundra Rose Project(海普諾凱格桑花公益行)" returned to provide free doctor consultations, education on nutritional knowledge, family visits and other charitable activities in collaboration with 11 member channels in the "Hyproca 1897 Honour-win Maternal and Infant Alliance". In September, Hyproca 1897 and its channels jointly debuted the "Super Brand Day (超級品牌日)" entitled "Star Products Developed with Love (精研之選 因愛閃耀)". This joint marketing event featured a wide range of brand new contents and innovative games with the aim of escorting innumerable "Pro" moms through their journeys. In November, Hyproca 1897 grandly participated in the 14th Chinese Conference on Maternal and Child Health Care for Development(中國婦幼健康發展大會) and showcased its diversified product mix that caters to the nutritional needs of infants, growing toddlers and pregnant moms. Hyproca 1897's product mix was highly praised by experts at the conference and fortified Hyproca's brand image in the professional maternity and children healthcare sector.

In terms of new products, new products launched in 2023 included the New GB version of Hyproca 1897's Hollary, which provides comprehensive nutrition from a century of development, the New GB version of Allnutria, which boosts the immune system, and other channel-specific new products, such as the New GB version of Allnutria Aiyou (能立多愛優), Allnutria Ruihuo (能立多睿活) and Neolac (悠藍), the Allnutria Jinz and Hyproca 1897's Nutrient Star toddler formula, which is positioned as nutritional supplement and immune booster for picky eaters. These new products satisfy market demand by catering to the diversified nutritional and health needs of the consumers and broadening the Group's cow milk formula product portfolio.

Own-branded goat milk formulas (Kabrita)

For the Year 2023, sales of the Group's own-branded goat milk formulas amounted to RMB3,283.0 million, representing a YoY decrease of RMB308.0 million, or 8.6% and accounted for 44.5% of the Group's total revenue (Year 2022: 46.1%), among which revenue derived from the PRC and overseas market amounted to RMB2,898.5 million (Year 2022: RMB3,325.3 million) and RMB384.5 million (Year 2022: RMB265.7 million), respectively. The Group's own-branded goat milk formulas are all produced in the Netherlands and marketed globally.

Sales of the Group's own-branded goat milk formulas for the Year 2023 from:

a) the PRC had a YoY decrease of 12.8%. Major reasons for the pressure on sales revenue are: (i) volumes declined as a result of market declines, in addition, the Group rebalanced channel inventory to improve channel dynamics during the Year 2023 to ensure long term healthy development and competitiveness of Kabrita; (ii) in order to undertake new product launches and optimise product portfolio, the Group has carried out discount promotions for old label Youzhuang (悠裝); and (iii) to ensure long-term healthy development of Kabrita, the Group has decreased the discount of Kabrita in the third quarter of 2023 which resulted in short-term sales pressure.

   After months of adjustment, sales revenue of the Group's goat milk formulas increased period-over-period by 21.2% in the second half of 2023, actual retail prices were recovering progressively and the Group's market share rose further as compared with the last year. The Group attributed such compensatory growth to the insistence of its goat milk formula BUs on (i) intensive scientific research of goat milk in order to provide authoritative support for the stable growth of the industry – at the Asian Congress of Nutrition (亞洲營養大會) in September, the Group debuted the Bluebook on Goat Milk Scientific Researches (《羊乳科研藍寶書》), which is the first book to integrate the achievements of both Chinese and Dutch scientific researches over the years by consolidating the results of 10 years of R&D conducted by Kabrita, features a comprehensive introduction to goat milk scientific researches and demonstrates the leading R&D strength of Kabrita; (ii) launching new products and extending its playing field – it rolled out Kabrita YueHu goat milk formula, which spotlights easy absorption and immune system boosters to capture the post-pandemic immune-health market; (iii) increasing investment in brand-building and marketing and securing its number one position in terms of market recognition among goat milk formula brands – it launched nationwide academic cooperation meetings at all levels and brand academic activities, thereby enhancing the brand's professional reputation and strengthening the influence of the brand in the professional channel industry; adopted the dual celebrity endorsements model by engaging Ms. Tang Yan (唐嫣女士) and Mr. Huang Lei (黃磊先生), released monthly trending dramas, focused on combinations of media attentions such as escalator advertising, commercial district screens and new media platforms in key cities, to achieve multiple interactions with target consumers, and, as a result, topped the charts among goat milk formulas in terms of branded searches on major platforms actively used by target consumers in 2023; and (iv) empowering channels, standardising management and penetrating end markets – since the launch of the "Leading Goat Club (領頭羊俱樂部)", Kabrita has consolidated key channels and stimulated them by long-term resource support, progressive project support and membership marketing. In 2023, Kabrita further penetrated end channels by staying abreast of industry trends and expanding its retail network in an orderly manner under a new campaign named "Thousands Counties and Townships (千縣萬鎮)".

b) overseas (including Europe, the US, the Middle East, the CIS, Mexico, South Korea, Vietnam, etc.) amounted to RMB384.5 million (Year 2022: RMB265.7 million), representing an increase of 44.7%. The surge of revenue was mainly attributed to the (i) global relaxation of pandemic restrictions; and (ii) solid YoY growth in the United Arab Emirates (UAE) in the Middle East with growing acceptance of goat milk formula.

With years of efforts made and scientific proof obtained by Kabrita's US and Dutch teams through co-operating closely under Ausnutria's "1+6+N" global proprietary R&D system, Kabrita IMF passed the review by the US FDA in July 2023 to be sold in the US as the first goat milk IMF across the world that has fulfilled the US FDA's nutrition and safety requirements and can be marketed in the US. This highlighted Kabrita's strong R&D strength and outstanding product quality as the world's number one goat milk brand. In January 2024, Kabrita IMF was formally launched in the US market, which is the largest IMF market in the world second only to the PRC. Since then, the whole range of Kabrita's goat milk IMF can be marketed in the US. Such admittance has not only diversified the feeding options of US families, but has also accelerated the growth of Kabrita's US operation and turned a new leaf in the globalisation of Kabrita. Add to that Kabrita's successful market penetration and increasing acceptance in the Middle East, and Kabrita's share in the international market will continue to grow steadily.

In the goat milk formula market, Kabrita firmly upheld its leadership position. According to NielsenIQ, the market share of Kabrita, being the world's number one goat milk brand, in the imported infant and young children's goat milk powder market in the PRC exceeded 60% for five consecutive years (2018 to 2022). The Kabrita brand also topped the chart of searches and ranked first in terms of first association among goat milk formulas on major platforms, such as TikTok, Xiaohongshu, Baidu and other vertical maternal and infant marketplaces, actively used by target consumers.

Moving forward, in light of the increasing brand concentration, Kabrita will continue to adhere to its existing brand and channel dual 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.

Private Label and Others

The Group's sales of formula milk powder products on an original equipment manufacturing basis (the "**Private Label**") amounted to RMB244.4 million (Year 2022: RMB207.7 million), representing a YoY increase of 17.7%. The increase in the sales of the Private Label for the Year 2023 was mainly due to an increase of sales in South America and the expansion of distribution regions in the Middle East. Based on a solid long-term strategy, the Private Label continued to grow and win market share in dynamic and challenging market circumstances.

Nutrition business

During the Year 2023, revenue derived from the nutrition products amounted to RMB284.5 million, representing a YoY increase of RMB151.5 million, or 113.9%. The increase was mainly due to the consolidation of Bioflag after progressively increasing its investment from 27.5% to approximately 82.0% during the Year 2023.

In view of the grave challenges faced by the formula milk powder businesses, the Group has been looking for new business breakthroughs. As such, the Group regards the nutrition business as a focal point of development and an important strategic segment. In the post-COVID-19 world, consumers are more and more concerned about health and nutrition, and, therefore, market demand for relevant products has been on the rise. In particular, probiotics become the new superstar thanks to its positive effect on gut health and the immune system. To capitalise on this market development and optimise its shareholding structure, the Group increased its shareholding in Bioflag to 61.1% in early 2023 and further to 82.0% in late 2023. Capitalising on its first-mover advantages and scientific research strength in the probiotics field, the Group formally commenced the production of Bioflag's smart probiotics factory in Huai'an, Jiangsu Province in November 2023. Upon the commencement of production, the first phase of this project can produce raw probiotics powders of 33 strains in 8 categories. The factory will strive to become a world-leading functional probiotics research, production, application and smart manufacturing base. After years of development, Bioflag turned around from losses to profits in 2023 and will make contributions to the Group in terms of both revenue and profits.

To optimise resources and enhance operating efficiency, Aunulife, a probiotics brand targeting at infants and toddlers, merged with NC (Nutrition Care), an Australian professional gut nutrition brand with 40 years of history and experience targeting at adults, to form the new Aunulife BU in 2023. Upon the merger, both brands extended their targets to each other's customers, established an all-channel "Comprehensive Family Nutrition and Health" network, consolidated internal resources and cemented their competitive strengths. Coupled with the aforementioned investment made in Bioflag, this merger allowed the Group to reinforce its competitive edge by building a complete industry chain in the probiotics sector spanning from R&D, production to the sale of in-house brands.

In terms of new products, Aunulife ShouHu（愛益森首護）, a star probiotics product of Aunulife, completed a comprehensive upgrade in terms of both formula and taste in April 2023. Aunulife AnMin, an anti-allergy probiotics, and new products of Aunulife Daily Supplements were grandly rolled out in July and August, respectively, during the Year. Since then, Aunulife has formulated a product mix covering 6 major nutritional needs of children in the PRC. NC Gastro Repair and NC Daily Probiotics Gold, both being new products of NC's most famous gut relief series, were globally launched at the China International Import Expo.

With respect to brand building, Aunulife started a new page in its brand development by conducting campaigns in various cities in the PRC using the white-hot national IP of Journey to the West（《西遊記》）, a cartoon of CCTV. In April, Aunulife was identified by NielsenIQ as one of the top three children probiotic products in the industry as well as the number one children probiotic products in terms of reputation on Tmall. In 2023, Aunulife topped the chart of interaction in the category of children probiotic products on Xiaohongshu with the fabulous information in its content marketing campaign. On the World Digestive Health Day（國際護胃日）, NC published the *White Paper on Stomach Health*（《胃健康白皮書》）at ChinaGUT（中國腸道大會）to safeguard the gastronomic health of the Chinese with data.

As to channel strategies, Aunulife concentrated on cultivating selected accounts and successfully fortified its position in certain big retail chains, local chain stores and international supermarkets with strong influence in the country and the industry, thereby maintaining its top position in the probiotics segment and accumulating strong marketing impact and brand influence.

Gross profit and gross profit margin

	Gross profit		Gross profit margin	
	2023	2022	**2023**	2022
	RMB'M	*RMB'M*	***%***	*%*
Own-branded formula milk powder products:				
Cow milk	**1,379.9**	1,513.3	**53.9**	51.8
Goat milk	**1,611.2**	1,967.6	**49.1**	54.8
	2,991.1	3,480.9	**51.2**	53.4
Private Label and others	**27.3**	53.6	**2.2**	4.7
Dairy and related products	**3,018.4**	3,534.5	**42.5**	46.1
Nutrition products	**107.6**	82.6	**37.8**	62.1
	3,126.0	3,617.1	**42.3**	46.4
Less: write-downs of inventories to net realisable value	**(273.4)**	(224.3)		
Total	**2,852.6**	3,392.8	**38.6**	43.5

The Group's gross profit for the Year 2023 was RMB2,852.6 million, representing a YoY decrease of RMB540.2 million, or 15.9%. The decrease in the gross profit margin of the Group from 43.5% for the Year 2022 to 38.6% for the Year 2023 was primarily due to the aggregate effect of the (i) increase in discount and rebates granted to distributors for the Group's own-branded formula milk powder products of Youzhuang to undertake new product launches and optimise product portfolio; (ii) increase in raw goat milk price; (iii) the continuous appreciation of EUR against RMB; and (iv) temporary increase of inventory provision.

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 25.8% (Year 2022: 27.8%) of the Group's revenue. In view of the continuous increase in market competition and the decline in birth rate, the Group has undertaken a number of cost-saving measures, particularly on the BU integration, in order to increase its competitiveness. Selling and distribution expenses decreased accordingly for the Year 2023.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling expenses, office expenses, auditor's remuneration, professional fees and depreciation. The decrease in administrative expenses was mainly contributed by the cost-saving plan implemented by the Group, particularly the BU Integration.

Other income, other gains/(losses) – net

	2023	2022
	RMB'M	*RMB'M*
Other income		
Government grants*	**80.4**	27.5
Interest income	**35.7**	38.2
Rental income	**4.5**	3.3
	120.6	69.0
Other gains/(losses) – net		
Restructuring costs	**(38.9)**	–
Foreign exchange losses, net	**(23.2)**	(9.5)
Charitable donations	**(6.4)**	(11.7)
Impairment of goodwill	**–**	(162.0)
Others	**(39.0)**	(19.3)
	(107.5)	(202.5)
Total other income, other gains/(losses) – net	**13.1**	(133.5)

* *The amount mainly represented incentive income received from the government in Mainland China, where the Company's subsidiaries operate. There were no unfulfilled conditions or contingencies relating to these grants.*

Finance costs

The finance costs of the Group for the Year 2023 amounted to RMB57.7 million (Year 2022: RMB14.9 million), representing mainly the interests on bank loans and other borrowings raised principally for the financing of the upstream capital expenditures of the Group, particularly in the Netherlands.

The increase in finance costs was mainly due to (i) the increase in bank loans for the financing of the building of a new IMF base powder facility (the "**New IFBP Facility**") in the Netherlands; and (ii) the increase in average interest rate as a result of the change in monetary policy in the European countries. As at 31 December 2023, approximately 95.8% (31 December 2022: 87.8%) of the Group's bank loans and borrowings are 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 RMB18.9 million (Year 2022: share of profits of RMB22.6 million) and profits of Amalthea Group B.V. and its subsidiaries (the "**Amalthea Group**") (which was acquired on 9 February 2023) of RMB2.5 million for the Year 2023. 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 cow milk supply for the Group's operations in the Netherlands. The Amalthea Group 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 decreased from 25.0% for the Year 2022 to 16.3% for the Year 2023. The decrease in effective income tax rate by 8.7 percentage points was mainly due to the recognition of deferred tax asset in the current period due to the disposition of a non-wholly owned subsidiary, Pure Nutrition Limited ("**Pure Nutrition**"), in the Year 2023, which was partially offset by the impact of the change in the applicable CIT rate of Hyproca Nutrition Company Limited, one of the most profit-making companies of the Group, from 15% to 25% following the expiry of its High-tech Enterprises preferential CIT rate after the Year 2022.

Profit attributable to the equity holders of the Company

The Group's profit attributable to the equity holders of the Company for the Year 2023 amounted to RMB174.4 million, representing a decrease of RMB42.1 million, or 19.4% when compared with the Year 2022.

The decrease was mainly attributable to the continuous intensive competition of the formula milk market in the PRC which resulted in the decrease in sales and the gross profit margin.

Analysis on Consolidated Statement of Financial Position

As at 31 December 2023, the total assets and net asset value of the Group amounted to RMB10,033.8 million (2022: RMB9,796.1 million) and RMB5,749.2 million (2022: RMB5,565.1 million), respectively.

The increase in total assets of the Group as at 31 December 2023 was mainly attributable to the net effect of:

(i) the additions of construction in progress of RMB510.6 million mainly for the building of the New IFBP Facility in the Netherlands;

(ii) the decrease in inventories by RMB137.3 million mainly driven by improvement in production planning and logistic lead time in the global supply chain; and

(iii) the decrease in trade and bills receivables by RMB71.0 million.

The increase in net assets of the Group as at 31 December 2023 was mainly a result of the net effect of the (i) net profit generated for the Year 2023 of RMB168.9 million (Year 2022: RMB188.3 million); (ii) appreciation of the EUR against RMB which contributed to an increase in exchange differences on translation of foreign operation of RMB115.8 million; and (iii) payment of final dividend of RMB98.5 million during the Year 2023.

Working Capital Cycle

As at 31 December 2023, the current assets to current liabilities ratio of the Group was 1.24 times (2022: 1.49 times).

An analysis of key working capital cycle is as follows:

	2023 Number of days	2022 Number of days	Change Number of days
Inventories turnover days	**174**	183	(9)
Debtors' turnover days	**31**	26	5
Creditors' turnover days	**43**	40	3

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 a comparatively longer credit terms than those in the PRC.

Analysis on Consolidated Statement of Cash Flows

	2023 ***RMB'M***	2022 *RMB'M*
Net cash flows from/(used in) operating activities	**224.7**	(357.5)
Net cash flows used in investing activities	**(740.9)**	(724.0)
Net cash flows from financing activities	**682.4**	664.1
Net increase/(decrease) in cash and cash equivalents	**166.2**	(417.4)

Net cash flows from/(used in) operating activities

The net cash flows from operating activities of the Group for the Year 2023 amounted to RMB224.7 million (Year 2022: net cash flows of RMB357.5 million used in operating activities). The increase in cash flows from operating activities was mainly attributable to the operation profits and acceleration of inventory movement to maintain a balanced inventory level.

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group for the Year 2023 of RMB740.9 million (Year 2022: RMB724.0 million) mainly represented the net effect of (i) the purchases of property, plant and equipment of RMB610.0 million (Year 2022: RMB571.5 million) mainly for the building of the New IFBP Facility and other related facilities in the Netherlands; (ii) the acquisition of the 50% issued shares together with additional capital injection in the joint venture, the Amalthea Group, amounted to approximately RMB171.9 million; and (iii) the net proceeds of RMB111.0 million from the disposal of Pure Nutrition.

Net cash flows from financing activities

The net cash flows from financing activities of the Group for the Year 2023 of RMB682.4 million (Year 2022: RMB664.1 million) was primarily attributed to the net effect of (i) the decrease in restricted cash of RMB119.5 million (Year 2022: RMB130.0 million); (ii) dividends paid during the year of RMB98.5 million (Year 2022: RMB430.2 million); (iii) the net drawdown of new bank loans and other borrowings and lease payments of a total of RMB743.9 million (Year 2022: RMB260.8 million); and (iv) the acquisition of the 20.9% equity interest in Bioflag at a consideration of US$10.9 million (equivalent to RMB77.4 million) in December 2023.

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

On 9 February 2023, Ausnutria B.V., a wholly-owned subsidiary of the Company, completed the acquisition of 50% equity interests in the Amalthea Group. The total cash consideration together with additional capital injection was approximately EUR22.7 million (equivalent to approximately RMB171.9 million). The Amalthea Group is principally engaged in the exploitation of cheese factory and the trading of goat cheese and related products. The Amalthea Group became a joint venture of the Company thereafter. Further details regarding the acquisition are set out in the announcement of the Company dated 23 October 2022.

On 6 June 2023, Ausnutria New Zealand Limited ("**Ausnutria NZ**"), a wholly-owned subsidiary of the Company, Westland Milk Products Investments Limited ("**Westland**"), an indirect wholly-owned subsidiary of Yili Industrial, and Pure Nutrition, a non-wholly owned subsidiary of the Company, entered into an agreement pursuant to which Ausnutria NZ agreed to sell and Westland agreed to purchase (i) the Group's entire 60% equity interest in Pure Nutrition; and (ii) the outstanding amount of indebtedness payable by Pure Nutrition to the Group, at a consideration of approximately NZD25.4 million (equivalent to approximately RMB111.6 million). Further details regarding the aforesaid disposal are set out in the announcement of the Company dated 6 June 2023. The aforesaid disposal was completed on 26 June 2023.

Subsequent to the reporting period, 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 in relation to the acquisition of approximately 7.70% of the issued shares of Bioflag at a total consideration of US$4,007,690.40 (equivalent to approximately RMB28.39 million) in cash. Upon completion of this acquisition, the Company will be interested in approximately 89.74% of the issued shares in Bioflag. On the same date, Bioflag and Jingang Trade entered into an 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 (equivalent to approximately RMB13.49 million) (i.e. an issue price of US$1.06 per share)(the "**Bioflag Subscription**"). Upon completion of the Bioflag Subscription, the equity interest of the Group in Bioflag will be reduced from approximately 89.74% to approximately 86.57%. Further details of the Bioflag Subscription are set out in the announcement of the Company dated 19 January 2024.

Save as disclosed above, 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 2023) during the Year 2023 and there were no other material acquisitions or disposals of subsidiaries, joint ventures or associated companies during the Year 2023 and up to the date of this announcement.

TREASURY POLICY

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

FINANCIAL RESOURCES, LIQUIDITY AND PLEDGE OF ASSETS

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

	As at 31 December	
	2023	2022
	RMB'M	*RMB'M*
Interest-bearing bank loans and borrowings	**(2,378.0)**	(1,465.6)
Lease liabilities	**(37.6)**	(94.8)
Less: Restricted cash	**5.7**	125.2
Long-term time deposits	**40.9**	–
Cash and cash equivalents	**2,037.6**	1,861.9
	(331.4)	426.7
Total assets	**10,033.8**	9,796.1
Shareholders' equity	**5,693.5**	5,646.6
Gearing ratio[(1)]	**3.3%**	N/A
Solvency ratio[(2)]	**56.7%**	57.6%

Notes:

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

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

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

Following the change in ultimate shareholder of the Company, the Group has undergone a bank refinancing exercise in the Netherlands with more favorable terms and conditions during the Year 2023. As a result of the refinancing, all the previous pledge of the property, plant and equipment (including land and buildings, plant and machinery, motor vehicles and office equipment), inventories, investment property and trade receivables that were attributable to the operations in the Netherlands with a total carrying value of EUR283.4 million, equivalent to approximately RMB2,104.0 million for the banking facilities granted in the Netherlands as at 31 December 2022 have been released and replaced by corporate guarantee executed by the ultimate shareholder (namely, Yili Industrial) during the Year 2023.

As at 31 December 2023, the Group had outstanding borrowings of RMB2,378.0 million (2022: RMB1,465.6 million), all of which was due within one year (2022: RMB1,021.6 million due within one year and RMB444.0 million due over one year).

As at 31 December 2023, there was significant drop in the restricted cash balance by RMB119.5 million to RMB5.7 million (2022: RMB125.2 million), which was mainly due to the banking facilities guarantee being replaced by the corporate guarantee executed by Yili Industrial and no longer require the pledged deposit placed by the Group.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC, the Netherlands and Australia. During the Year 2023, 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 loans of the Group are denominated in RMB, EUR and AUD, respectively. The Group is exposed to potential foreign exchange risk as a result of fluctuation of HK$, EUR, US$, AUD 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 interest-bearing bank loans and other borrowings with a floating interest rate. The Group will consider and enter into interest rate swap or cap contract to mitigate the risk of floating interest rate if necessary. In order to minimise the impact of the interest rate exposure, the Group has entered into two interest rate cap contracts with a bank of a notional amount of EUR28.0 million and EUR90.0 million, with 3-month floating Euro Interbank Offered Rate being capped at an interest rate of zero and 3.0% per annum, respectively. These contracts have expired as at 31 December 2023 and the Group will consider to enter into the new contracts from time to time 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, prepayments, 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 2023, the Group had contracted, but not provided for, capital commitments mainly in respect of purchase of land and buildings, plant and machinery, intangible assets and acquisition of dairy related assets of a total of RMB198.8 million (2022: RMB597.9 million).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 31 October 2023, the Company exercised a call option and repurchased 20,000,000 Shares at nil consideration in accordance with the terms as set out in a sale and purchase agreement dated 9 April 2020 for cancellation. Such Shares were cancelled on 6 November 2023. Details of the call option and repurchase are set out in the announcements of the Company dated 9 April 2020, 31 October 2023 and 14 November 2023.

Save for the above, neither the Company nor any of its subsidiaries purchased, redeemed or sold interest in any of the Shares during the Year 2023.

SUSTAINABILITY POLICIES AND PERFORMANCE

Being sustainable and creating shared value with different stakeholders have always been a commitment of the Group. The Group has been implementing strategic plans to streamline its operations and resources across different regions whilst being mindful of integrating sustainability into the Group's business. The Group is committed to continue to stand by its sustainability vision and the relevant United Nations Sustainable Development Goals.

During the Year 2023, in May, Bioflag received the Year 2023 Innovation Award on iSEEAWARD held in Shanghai, the PRC, with its innovation and being the first Chinese corporation which has independently developed the first strain of lactobacillus rhamnosus MP108 (a strain of new food raw materials that can help prevent different types of inflammation in children) in the PRC. The recognition of the critical importance and the technological and innovative quality of this strain by such an authority in the industry demonstrated Ausnutria's powerful R&D ability as well as bold courage and creativity, which will also facilitate the Group's future development of its probiotic business. Furthermore, in June, a leading global provider of indexes, MSCI, upgraded the rating of Ausnutria in the MSCI ESG Ratings assessment from A to AA. Ausnutria became the only company in the food industry in the PRC to receive a rating of AA as at the rating date and brought the highest honour in the history of MSCI ESG Ratings to the whole PRC food industry. In July, the Group's own-branded infant goat milk formula (Kabrita) passed the review by the US FDA and accordingly, the Group has successfully entered the market of the US for the marketing and distribution of Kabrita IMF, which is the first IMF produced in Europe that has fulfilled the US FDA's requirements. In December, the "Ausnutria Hunan Provincial Maternal, Infant and Child Food Technology Innovation Center – Ausnutria Basic Life & Nutrition Science Research Center" was successfully unveiled in a conference organised by the China Youth Entrepreneurs Association. At present, the centre has built two major scientific research platforms: (i) a full industrial chain technology research that is of great significance for the development of self-owned intellectual property strains and the promotion of the domestic production of probiotic strains; and (ii) a "five-in-one" comprehensive evaluation system which can provide scientific research support for products and markets.

The Group will continue to develop different sustainability strategies and targets based on its sustainability pillars: Better Nutrition, Better Life and Better Environment to achieve its sustainability vision. In addition, in view of global climate change, the Group will focus on reducing its carbon emissions, saving energy and building a sustainable green supply chain. The Group will keep upholding its commitment to corporate social responsibilities and support different communities from time to time.

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 the 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 2023, please refer to the sustainability report to be published at the same time with the annual report for the Year 2023 before end of April 2024. The English and Chinese versions of the sustainability report 2023 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.

CORPORATE GOVERNANCE PRACTICES

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

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

Save for the deviation for reasons set out below, in the opinion of the Board, the Company has complied with the respective code provisions of the CG Code during the Year 2023. 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.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Year 2023, the Company segregated the duties of the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**"), except for the period from 27 January 2023 to 12 September 2023, during which Mr. Bartle van der Meer resigned as the CEO and Mr. Yan Weibin, the then Chairman, was appointed as the then CEO. The Board continued to review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances. On 12 September 2023, following Mr. Yan Weibin's resignation from the Board, Mr. Ren Zhijian was appointed as an executive Director of the Company and the CEO and Mr. Zhang Zhanqiang, a non-executive Director, was appointed as the Chairman, thus, the Company had re-complied with the requirements under code provision C.2.1 of the CG Code since then.

MODEL CODE FOR SECURITIES 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 by the Company, the Directors confirmed that they have complied with the required standard set out in the Model Code during the Year 2023.

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 aforementioned 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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and notes to the consolidated financial statements for the Year 2023 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year 2023. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

AUDIT COMMITTEE

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman. The audit committee of the Board has reviewed the audited consolidated financial statements of the Group for the Year 2023 including the accounting principles and practices adopted by the Group and discussed with the management of the Company on matters relating to auditing, risk management and internal controls and financial reporting.

DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK$0.05 (Year 2022: HK$0.06) per Share for the Year 2023 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 30 May 2024, the proposed final dividend is expected to be paid on or around 25 June 2024. As at the date of this announcement, there was no arrangement with any Shareholders under which he/she/it has waived or agree to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

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

For the purpose of determining Shareholders who are eligible to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 27 May 2024 to 30 May 2024 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified to attend the forthcoming AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 24 May 2024.

(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, 6 June 2024 to Tuesday, 11 June 2024 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 5 June 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual report of the Company for the Year 2023, which contains the detailed results and other information of the Company for the Year 2023 required pursuant to Appendix D2 to the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ausnutria.com.hk in due course. This announcement can also be accessed on the above websites.

By order of the Board
Ausnutria Dairy Corporation Ltd
Zhang Zhanqiang
Chairman

The PRC, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Ren Zhijian (CEO), Mr. Bartle van der Meer and Mr. Zhang Zhi as the executive Directors; Mr. Zhang Zhanqiang (Chairman), Mr. Sun Donghong (Vice-Chairman) and Ms. Yan Junrong as the non-executive Directors; and Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman as the independent non-executive Directors.