澳优
Ausnutria

Annual Report
2022

Nourishing Life & Growth

AUSNUTRIA DAIRY CORPORATION LTD

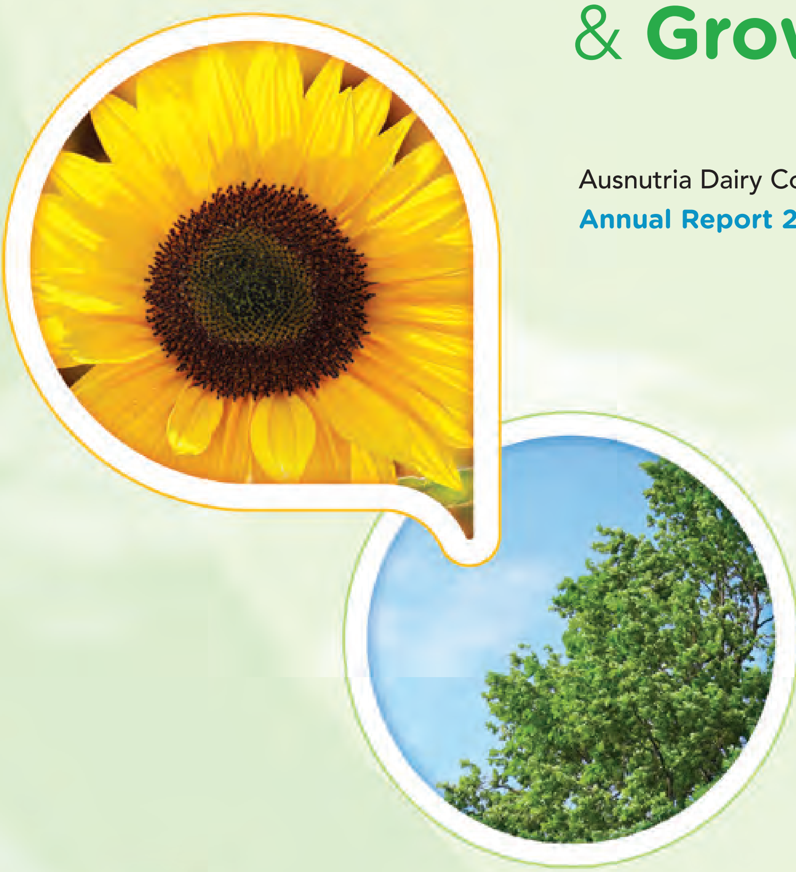
(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

Nourishing Life & Growth

Ausnutria Dairy Corporation Ltd

Annual Report 2022



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Mission

Nourishing Life & Growth.

Vision

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

Sustainability Vision

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

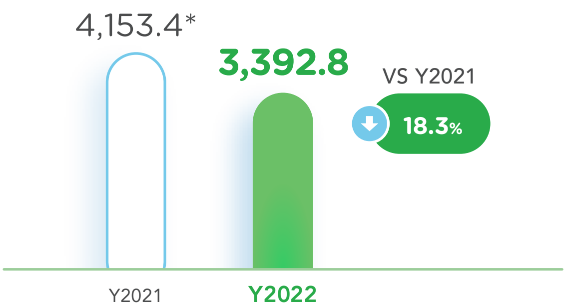
Financial Highlights

Revenue Contribution

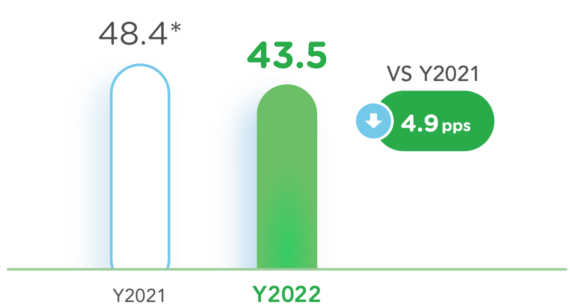
	Y2022	Y2021	
Own-branded Cow milk formula	RMB 2,923.5M	RMB 4,095.0M*	↓ 28.6%
Own-branded Goat milk formula	RMB 3,591.0M	RMB 3,369.2M*	↑ 6.6%
Private Label and others	RMB 1,148.0M	RMB 933.9M	↑ 22.9%
Nutrition products	RMB 133.0M	RMB 177.1M	↓ 24.9%

* Restated for certain prior year's adjustments which details are set out in note 41 to the consolidated financial statements

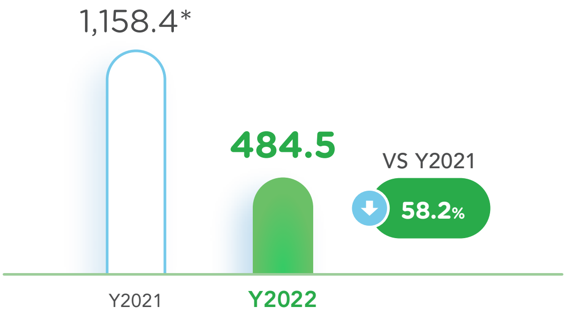
Gross profit
(RMB'M)



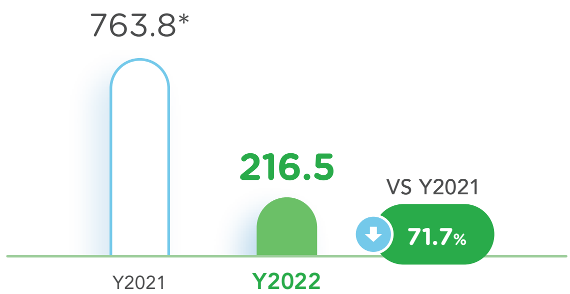
Gross profit
(in %)



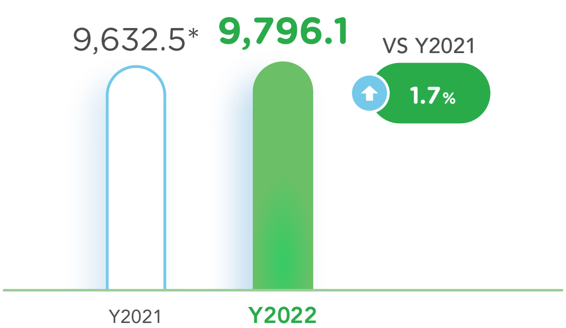
EBITDA
(RMB'M)



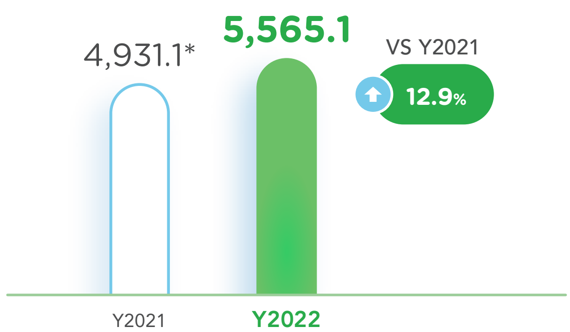
Profit attributable to Shareholders
(RMB'M)



Total assets
(RMB'M)



Net assets
(RMB'M)



* Restated for certain prior year's adjustments which details are set out in note 41 to the consolidated financial statements

(RMB'M, unless otherwise stated)	2018*	2019*	2020*	2021*	2022
Revenue	5,273.7	6,686.6	7,823.8	8,575.2	7,795.5
Gross profit	2,544.7	3,483.8	3,819.9	4,153.4	3,392.8
Gross profit (in %)	48.3	52.1	48.8	48.4	43.5
EBITDA	838.1	1,255.9	1,338.3	1,158.4	484.5
Profit before tax	681.4	1,071.5	1,095.9	890.7	251.3
Profit attributable to Shareholders	553.8	852.9	908.3	763.8	216.5
EPS (in RMB cent)	41.2	53.3	55.1	44.5	12.1
Cash inflows from/(used in) operating activities	531.8	970.8	1,130.2	1,071.3	(357.5)
Net assets	3,262.2	3,903.5	4,865.9	4,931.1	5,565.1
Total assets	6,865.0	8,386.8	9,317.8	9,632.5	9,796.1
Net cash	802.3	866.9	983.3	1,214.4	426.7

* Restated for certain prior year's adjustments which details are set out in note 41 to the consolidated financial statements

BOARD OF DIRECTORS

Executive Directors

Mr. Yan Weibin *(Chairman & CEO)*
Mr. Bartle van der Meer
Ms. Ng Siu Hung

Non-executive Directors

Mr. Sun Donghong *(Vice-Chairman)*
Mr. Zhang Zhanqiang
Mr. Zhang Lingqi

Independent Non-executive Directors

Mr. Ma Ji
Mr. Song Kungang
Mr. Aidan Maurice Coleman

COMPANY SECRETARY

Mr. Wong Wei Hua Derek

AUTHORISED REPRESENTATIVES

Ms. Ng Siu Hung
Mr. Wong Wei Hua Derek

AUDIT COMMITTEE

Mr. Ma Ji *(Chairman)*
Mr. Song Kungang
Mr. Aidan Maurice Coleman

NOMINATION COMMITTEE

Mr. Yan Weibin *(Chairman)*
Mr. Sun Donghong
Mr. Ma Ji
Mr. Song Kungang
Mr. Aidan Maurice Coleman

REMUNERATION COMMITTEE

Mr. Song Kungang *(Chairman)*
Mr. Yan Weibin
Mr. Zhang Zhanqiang
Mr. Ma Ji
Mr. Aidan Maurice Coleman

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

LEGAL ADVISER

DEACONS

FINANCIAL ADVISER ON RETAINER BASIS

Asian Capital Limited

REGISTERED OFFICE

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

PRINCIPAL PLACES OF BUSINESS

In Hong Kong

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

In Mainland China

Block A, Building 1, Ausnutria Building,
Suncity, Purui East Road,
Yueliangdao Street,
Wangcheng District, Changsha City,
Hunan Province, the PRC

In the Netherlands

Dokter van Deenweg 150
8025 BM Zwolle
The Netherlands

In Australia

25-27 Keysborough Avenue
Keysborough VIC 3173
Australia

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Rabobank
China Construction Bank
Bank of China

STOCK CODE

1717

INVESTORS' CONTACT

Ms. Tracy Sun
Email: ir@ausnutria.com

COMPANY'S WEBSITE

www.ausnutria.com.hk

Chairman's Statement

DEAR SHAREHOLDERS,

After three years of the global pandemic, society is gradually getting back to normal. To Ausnutria Dairy Corporation Ltd ("**Ausnutria**" or the "**Company**"), 2022 was a difficult year. We faced challenges in our supply chain due to the eruption of the Russo-Ukrainian conflict at the beginning of 2022. The contraction of the infant formula market in the People's Republic of China (the "**PRC**") due to the declining birth rate and the adverse impact of the global pandemic exposed us to intensive competition in a stagnant market. The complicated international environment, the global supply chain challenges, the market recession and the high inflation across the world have altogether unveiled certain inadequacies of the Company. Nevertheless, we faced these challenges with concerted efforts and determination and we forged ahead. In 2022, Ausnutria completed various strategic mergers and acquisitions, scientific research and upgrades, new product rollouts, brand-building, sustainable development practices and so on. With steady perseverance and great courage, we surmounted the year of obstacles. I truly appreciate the support from all our partners.

On behalf of the board of directors (the "**Board**") of Ausnutria, I hereby present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year 2022**").

I. FINANCIAL PERFORMANCE

After years of sound financial growth, our revenue recorded a decrease from RMB8,575.2 million (restated) to RMB7,795.5 million, representing a year-on-year ("**YoY**") decrease of 9.1%. Mainland China remained the largest market for our own-branded formula milk powder products and accounted for 80.2% of our total revenue. Our gross profit decreased from RMB4,153.4 million (restated) to RMB3,392.8 million, representing a YoY decrease of 18.3%. Our net profit attributable to equity holders of the Company decreased from RMB763.8 million (restated) to RMB216.5 million, representing a YoY decrease of 71.7%. Despite the unsatisfactory performance of the overall infant formula industry, sales of our own-branded goat milk powder recorded a YoY growth of 6.6% in the Year 2022, with the PRC and overseas markets grew by 5.5% and 21.8% respectively. According to industry statistics, based on actual retail sales data in the Year 2022, the market share of Kabrita in the infant and young children's goat milk powder market in the PRC further increased by more than five percentage points. Furthermore, according to NielsenIQ, Kabrita's market share in the imported infant goat milk powder in the PRC exceeded 60.0% for five consecutive years (2018 to 2022). It is envisaged that Kabrita's market position as the "leading goat" will continue.

II. SHAREHOLDING STRUCTURE STABILISED WITH SMOOTH CHANGE OF CONTROLLING SHAREHOLDER

Following the successful general offer made by Yili Industrial to invest in the Company, both parties entered into a new era of synergies in strategic cooperation. Both parties pool their respective strengths and strive to build a better future by focusing on serving the PRC market and speeding up globalisation based on the core business principles of excellence, innovation, win-win and respect.

III. SUPPORTED THE DEVELOPMENT OF CORE AND NEW BUSINESSES BY INSISTING ON RESEARCH AND DEVELOPMENT

Received various first prizes in respect of research and development ("R&D"): Ausnutria received the first China Patent Awards (中國專利獎) in the goat milk industry, obtained the first permit to produce food for special medical purposes ("**FSMP**") in Hunan Province, the PRC, and became the first producer to use chromium-free passivation cans. The result of our "Southern China Milk-derived Probiotic Strains Selection and Resources Base Building (南方乳源益生菌菌種篩選及資源庫建設)" project was recognised as a substantial breakthrough in bridging the research gap. Our "Technological Research and Functional Assessment of Anti-Hypertensive Peptides Produced by Proteolysis of Goat Milk Cheese (山羊乳酪蛋白酶解法生產降血壓肽的工藝研究及功效評價)" project was accredited as a "world-leading" project (which is the highest acclaim of its kind). We also received a national invention patent for postbiotics.

Guided industry development as a leader: Ausnutria took concrete actions to lead the industry towards high quality by undertaking one of the major projects in the nation's 14th Five-Year Plan and participated in the drafting of two group standards to support the green development of the dairy industry, and two other group standards in relation to the analysis of animal-based ingredients in milk and dairy products to provide the basis for verifying the authenticity of the milk sources of dairy products.

FSMP R&D: We have been moving full steam ahead with our FSMP business and rolled out two more comprehensive nutritional formula products, Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose (康素得舒膳特殊醫學用途全營養配方食品) and Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose (康素得臻膳醫學用途全營養配方食品). So far, we have already obtained registration certificates for three FSMP products. This not only further broadened Ausnutria's FSMP product portfolio but also started a new chapter in the development of Ausnutria's FSMP business.

Continued to strengthen in-house scientific research and innovation ability: Ausnutria was supported by two academicians. Professor Shan Yang (單楊), an academician of the Chinese Academy of Engineering, established his first innovation team workstation in Ausnutria, while Professor Chen Wei's (陳衛) workstation in Ausnutria was put on the list of Hunan's provincial academician workstations. We also continued to maintain strategic partnerships with world-renowned universities. Furthermore, Ausnutria Nutrition Institute (ANI) attended the 54th annual meeting of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) and reported the latest clinical data about Kabrita and goat milk formula powder. We also shared four latest research findings based on our research papers at the 2nd China Breast Milk Science Conference and received positive feedback from peers in the industry.

Diversified new products with replacement and upgrades: For our own-branded formula milk powder products, Kabrita splendidly launched the toddler growing-up nutrition goat milk formula Xiangyang (向揚), organic goat milk powder Yuebai (悅白), middle-aged and elderly people goat milk powder Yingjia Baohu (營嘉葆護) and goat milk formula Yingjia Yingxin (營嘉瀅心); Hyproca 1897 launched its first infant formulas for special medical purposes Zhishu (稚舒) and A2 protein* milk source product Xizhi (喜致), and upgraded Cuihu (萃護) to more easily absorbed A2 protein* milk source; Allnutria launched three new infant milk powder products Ausnutria Aiyou (澳優愛優), Allnutria Ruiyu (能立多睿優) and Ruihuo (睿活), to capture the domestic milk powder segment. For our nutrition products, NC Gut Relief was upgraded and rolled out as Gut Relief Plus, which combines the benefits of gut fortification and protection; Aunulife also launched two new nutrition products, Aunulife Zhihu (智護) DHA Algal Oil Gelatin Gummy and Aunulife Yuanli (元力) Lactoferrin Goat Milk Formula, and upgraded two probiotics products, Aunulife Yuanqi (元氣) and Aunulife Yichang (益暢).

IV. INCREASED CAPACITY BY MERGERS AND ACQUISITIONS OF MILK SOURCES

We acquired a number of goat milk assets in the Netherlands, including Milk Connect B.V. (a company with the right to collect goat milk in the Netherlands) and Amalthea Group B.V. (a renowned goat cheese enterprise in the Netherlands) to perfect the goat milk industry chain and increase Ausnutria's fresh goat milk supply by approximately 45,000 tonnes per year, which help consolidate our all-round comprehensive leadership position in the goat milk sector.

In addition, our goat whey concentrate production facility in the Netherlands has been completed during the Year 2022 while the new infant formula base powder facility, with an investment amounted to EUR140.0 million, is expected to be finished this year. The third phase of Ausnutria's nutrition and health science park located in Changsha, the PRC is currently under construction and is expected to be completed in September this year.

V. BOOSTED MARKET GROWTH THROUGH BRAND-BUILDING

Collaborated with influential celebrities: Kabrita proudly engaged both Ms. Tang Yan (唐嫣) and Mr. Huang Lei (黃磊) as dual ambassadors to start a new era of goat milk feeding; Hyproca 1897 launched a new brand-building campaign and appointed Mr. Lang Lang (郎朗) and Ms. Gina Alice (吉娜) as dual spokespersons; OzFarm also revitalised its brand by cooperating with Ms. Wu Minxia (吳敏霞), the gold-medalist mom.

Organised a number of powerful events: We placed heart-warming advertisements in the subway of Changsha to celebrate Mother's Day. We also put together a series of activities to memorialise the 20th anniversary of the establishment of China's Arctic research station to salute the Northern expedition. Allnutria promoted the Love Babies' Day (328世界愛寶日) to support parenting education for new-generation parents.

Participated in various high-profile exhibitions: We participated in the China International Import Expo for the fifth consecutive year. In the China International Consumer Products Expo, it was our first time to promote globalised development by showcasing our achievements and speaking to the world on behalf of the PRC's dairy industry.

VI. STANDARDISED BUSINESS SYSTEMS AND DIGITALISED BUSINESS OPERATION

Digitalisation is the top priority for Ausnutria in respect of operational efficiency, and the Group constantly speeds up the digitalisation of its industrial production. By using big data, mobile devices and artificial intelligence technologies, we continued in digital and smart development and developed an electronic global product quality tracing system that covers quality control throughout the whole production process spanning from the procurement of raw materials to the delivery of products to consumers. We also introduced world class manufacturing to our factories across the globe to enhance the efficiency of both domestic and international supply chains and strengthen the synergies between them.

To accelerate the digitalisation of the dairy industry, a number of "Outstanding Cases of Digitalisation in the Dairy Industry of China (中國奶業數字化轉型卓越案例)" were selected at the 13th Dairy Conference of China with the aims of deepening the knowledge and consensus in terms of digitalisation and promoting digitalisation experience and cases. With its outstanding contribution to the digitalisation of the dairy industry, Ausnutria was selected as one of the outstanding cases. Being committed to and by implementing the "Empowering the Dairy Industry of China – Digital Transformation and Innovation 2025 (《賦能中國奶業—數字化轉型與創新2025》)" project, we actively supported and led the dairy industry in exploring new ways to digitalise the industry.

VII. PRACTISED BETTER LIFE AND GUIDED SUSTAINABLE DEVELOPMENT

We utilised Ausnutria Foundation as the platform to assist in combating against the pandemic as well as assisting disaster relief. Ausnutria continued to pursue acts of charity, including donations in kind to meet the needs of underprivileged people in Hunan, the PRC in winter at the beginning of the Year 2022; donations of materials to support pandemic prevention and control efforts in various cities in the PRC including Shanghai and Guangzhou; and delivery of pandemic supplies to Tibet under "Hyproca Tundra Rose Project (海普諾凱格桑花公益行)". We also organised a talent training program to nurture entrepreneurial talents to foster rural economic development under the "Meishan Shangjun (梅山商俊)" project and promoted the improvement of rural education environment through Ausnutria's "Charity Walk (樂享六一公益行)". Altogether, we have donated millions in cash and in kind under Ausnutria Foundation. We also supported health-related community programmes by making cash donations to the Roparun Foundation and The Foundation Kika in the Netherlands to support and raise money for cancer patients, organize charity sales to support childhood cancer research and support children from impoverished families. Ausnutria always gives back to the communities.

With respect to social development, we published our sustainability report for the seventh consecutive year to demonstrate Ausnutria's long-term commitment to nourishing life and growth. Furthermore, our sustainability report 2021 was awarded an "A" grade by MSCI, a leading global provider of indexes, attributable to Ausnutria's outstanding performance in terms of sustainable development.

VIII. EARNING RECOGNITIONS BY FORGING AHEAD WITH ESTABLISHED PATH

Ausnutria received the quality gold award (質量金獎), and for the fifth consecutive year, the technological advancement award (技術進步獎) by the China Dairy Industry Association, the award for the best infant nutrition dairy products in the World Dairy Innovation Awards 2022, the award of excellence (優秀獎) in the China Patent Awards and the "ESG Outstanding Social Responsibility Practice Corporation Case for 2022 (2022企業ESG傑出社會責任實踐案例)". I was also awarded the honorary title of the first-ever "Advanced Individual of New Hunan Contribution Award". These and other important recognitions demonstrated the outstanding strength of Ausnutria.

IX. OUTLOOK

Our confidence in the future of the market and Ausnutria, as well as our commitment to the whole society, remain unchanged. We will uphold the Company's strategies of being consumer-oriented, striving for first-tier status, focusing on performance, abiding by the rules and aiming at win-win to realise Ausnutria's four goals in high-quality development: business growth, higher capacity, better efficiency and bigger contributions, as well as the sustainability targets of "better nutrition", "better life" and "better environment".

2023 will be a year of management reform and efficiency advancement for Ausnutria. We are devoted to the following key strategic tasks:

1. allocate our energy and resources to focus on our goat milk powder and premium cow milk powder businesses with the aims of improving user experience and increasing sales in the PRC and across the globe;

2. enhance the quality control, operational efficiency, cost competitiveness and reaction speed of our global supply chain;

3. continue to promote business standardisation and digitalisation and enhance operational efficiency, customer service and corporate management;

4. speed up promising R&D projects to support existing business and pave the way for our future success; and

5. implement Ausnutria's "Golden Decade" strategy in a steady manner to deliver an overall turnaround of our nutrition business and establish the "Ausnutria Health Sciences (澳優健康科學)" segment.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to sincerely thank our customers, consumers, partners, shareholders and governments for their continued support, trust and help. In 2023, we will remain true to our original aspiration and take on all challenges, continue to realise steady corporate development with firm strategies, striving spirit and an innovative approach, and reciprocate the trust and generosity of the society with the greatest determination and efforts.

Yan Weibin
Chairman

The PRC
30 March 2023

The Group's Own Brands

Change of Single Largest Shareholder

On 28 January 2022, Inner Mongolia Yili Industrial Group Co., Ltd ("**Yili Industrial**"), through its wholly and beneficially owned company, Hongkong Jingang Trade Holding Co., Limited (the "**Subscriber**"), (i) purchased an aggregate of 530,824,763 ordinary shares of the Company of HK$0.10 each (the "**Shares**") at a total consideration of HK$5,340,097,116 (i.e. HK$10.06 per Share) from Citagri Easter Limited, BioEngine Capital Inc., Center Laboratories, Inc. and Dutch Dairy Investments HK Limited ("**DDIHK**") (all being the then substantial shareholders of the Company); and (ii) subscribed for an aggregate of 90,000,000 new Shares at the subscription price of HK$10.06 per subscription share and a net price of HK$10.05 per subscription share after deducting related expenses (the "**Yili Subscription**"). The closing Share price on the day on which the terms of the Yili Subscription (i.e. 28 January 2022) were fixed was HK$8.85.

The Yili Subscription was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company on 31 December 2021. Further details regarding the above transactions are set out in the announcement and circular of the Company dated 27 October 2021 and 15 December 2021, respectively.

Upon completion of the above transactions, on 28 January 2022, the Subscriber owned an aggregate of 620,824,763 Shares, representing approximately 34.33% of the then entire issued Shares. Pursuant to Rule 26.1 of the Codes on Takeovers and Mergers of Hong Kong, the Subscriber is required to make an offer for all issued Shares (other than those already owned and/or agreed to be acquired by the Subscriber and the parties acting in concert with it) (the "**Offer**"). On 17 March 2022, being the final closing date of the Offer, the Subscriber received valid acceptances of an aggregate of 449,288,386 Shares. Accordingly, the Subscriber is interested in 1,070,113,149 Shares, representing approximately 59.17% of the then issued Shares. For details, please refer to the Company's announcements dated 28 January 2022, 10 February 2022 and 3 March 2022 respectively and the Company's composite document dated 10 February 2022.

Yili Industrial is a leading player in the dairy industry in the PRC which is principally engaged in the processing, manufacturing and sales of various dairy products and healthy beverages. The Company believes the above transactions would enlarge its shareholder base and significantly strengthen the shareholder profile of the Company by introducing a major industry player in the PRC. The Company also considers the Yili Subscription offered a good opportunity to raise additional funds to strengthen the financial position and broaden the capital base of the Group to facilitate its future development. Meanwhile, by cooperating with Yili Industrial, the Group will effectively achieve the objectives of the collaborative projects between the parties and improve the profitability of the Company through economies of scale and efficiency.

INDUSTRY OVERVIEW

Affected by the declining birth rates, the multi-billion dollar infant formula market in the PRC experienced slower growth and even contraction in recent years. According to relevant industry data, the overall scale of the PRC infant formula industry for the Year 2022 decreased by mid-single digit percentage points YoY. To compete in this stagnant market condition, industry players proactively controlled their inventory level and product delivery in the Year 2022 with the aim of restoring the market order. As a result of all these measures undertaken by the industry players, the market condition in the PRC returned to a much healthier level in the second half of the Year 2022.

Nevertheless, based on product categories, attributable to the unique advantages of being easily absorbable and having higher nutritional value, goat milk powder outperformed the industry. In this segment, the Group's Kabrita formula milk powder products maintained their leadership position. A market research conducted by NielsenIQ showed that Kabrita has accounted for over 60.0% of the sales of imported infant and young children's goat milk powder in the PRC for five consecutive years from 2018 to 2022. According to the relevant industry data, based on retail sales in 2022, the market share of Kabrita in the PRC infant and young children's goat milk powder market increased further by over five percentage points, demonstrating its extending lead. In terms of price ranges, ultra-premium+ products (with an average price per kilogram of over RMB420.0), which are the main products of the Group, continued to be the dominant category in the infant formula market and recorded double digit YoY growth. Driven by rising consumer demand and expectations, the migration to premium products is expected to continue in the next few years. In respect of sales channels, due to the impact of the pandemic on daily travel, the market share of baby stores, which account for the lion's share, dipped while only that of online channels rose in 2022.

However, it is expected that as a result of the success of the three years long pandemic control measures, the resumption of everyday travel will revive demand from offline mother and baby stores' sales, facilitate the Group's diversified offline marketing event, and hence help the Group to obtain new customers and boost retail sales.

Marking the beginning of a new era after the 20th National Congress of the Chinese Communist Party, 2023 will witness gradual recovery of the consumption market. Thanks to the central government's policies to raise birth rate and end pandemic control measures, the short-term drop in birth rate in the PRC is expected to be reversed in the next few years, thereby revitalising the infant formula market. In addition, 2023 is also the pivotal year in the implementation of the new GB standard. The infant formula industry may experience a new round of elimination and further market consolidation. The replacement of old products by new products under the new GB standard registration will also improve market order, reduce irregular pricing and thus promote healthy sustainable channel and corporate growth of the industry.

FINANCIAL REVIEW

Analysis on Consolidated Statement of Profit or Loss

Revenue

	Notes	2022 RMB'M	2021 RMB'M (Restated)	Change %	Proportion to total revenue 2022 %	Proportion to total revenue 2021 % (Restated)
Own-branded formula milk powder products:						
Cow milk (in the PRC)	(i)	2,923.5	4,095.0	(28.6)	37.5	47.8
Goat milk (in the PRC)	(i)	3,325.3	3,151.0	5.5	42.7	36.7
Goat milk (elsewhere)	(i)	265.7	218.2	21.8	3.4	2.5
Goat milk total		3,591.0	3,369.2	6.6	46.1	39.2
		6,514.5	7,464.2	(12.7)	83.6	87.0
Private Label and others:						
Private Label	(ii)	207.7	211.6	(1.8)	2.7	2.5
Others	(iii)	940.3	722.3	30.2	12.0	8.4
Private Label and others total		1,148.0	933.9	22.9	14.7	10.9
Dairy and related products		7,662.5	8,398.1	(8.8)	98.3	97.9
Nutrition products	(iv)	133.0	177.1	(24.9)	1.7	2.1
Total		7,795.5	8,575.2	(9.1)	100.0	100.0

Notes:

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

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

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

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

The Group recorded revenue of RMB7,795.5 million for the Year 2022, representing a decrease of RMB779.7 million, or 9.1%, from RMB8,575.2 million (restated) for the Year 2021. The decrease in revenue was mainly attributable to the decrease in revenue from own-branded cow milk formulas as a result of the endured fierce competition in the industry due to the declining birth rate in the PRC and the adverse impact of the worldwide pandemic.

Own-branded cow milk formulas

Since the end of the Year 2021, the Group proactively made a series of adjustments to the sales strategies of Hyproca 1897 (the Group's Cow Milk Formulas core brand), with the aims of providing consumers with fresher and better quality products, reduce inventory pressure in the distribution channels and ensure long-term healthy development and competitiveness of its core products. As part of its adjustments, the Group further streamlined its distribution channels and implemented more stringent control over their overall inventory levels. These measures continued in the Year 2022. As a result of the above measures undertaken by the Company, the performance and hence sales revenue derived from the Group's own-branded cow milk formulas decreased by RMB1,171.5 million, or 28.6%, YoY.

Despite the decrease in the revenue figures as reported in the Group's consolidated financial statements, according to NielsenIQ, the market share of Hyproca 1897 for the Year 2022 increased by 0.2 percentage points YoY. The Group considers that such increase was attributable to its outstanding product quality and successful brand building efforts over the years and therefore Hyproca 1897 maintained a healthy growth in actual retail end and a continuous increase in market share.

Despite the challenges, the Group's own-branded cow milk formulas business units made substantial efforts in various aspects during the period under review including (1) the brand concept of Hyproca 1897 was upgraded to "Comprehensive Nutrition, Decades of Research" (全面營養，百年精研) to precisely identify the uniqueness of the brand; (2) enriched the Group's product portfolio, enhanced its productivity and assisted its marketing team by launching new products and upgrading existing products: Hyproca 1897 newly launched its first lactose-free infant formula for special medical purposes "Zhishu (稚舒)", its first human milk oligosaccharides (HMO) blended formula "Future (未來版)", first A2 protein* milk source product "Xizhi (喜致)", and upgraded "Cuihu (萃護)" to more easily absorbed A2 protein* milk source; Allnutria launched three new infant milk powder products "Ausnutria Aiyou (澳優愛優)", "Allnutria Ruiyu (能立多睿優)" and "Ruihuo (睿活)" to cater for the domestic milk powder segment; and (3) channel reinvention and revitalisation by increasing the proportion of baby chain stores (母嬰連鎖店), enhancing channels distribution, optimising the channel value chain and controlling product logistics to better protect the interests of the channel.

Own-branded goat milk formulas

For the Year 2022, sales of own-branded goat milk formulas amounted to RMB3,591.0 million, representing a YoY increase of RMB221.8 million, or 6.6%. 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 in the PRC for the Year 2022 amounted to RMB3,325.3 million, representing a YoY growth of 5.5%, among which, sales in the PRC returned to a double-digit growth YoY in the second half of the Year 2022. The Group attributed such growth to Kabrita's insistence on (1) intensive research of goat milk: joined efforts with authoritative institutions to organise discussion forum with experts in the field of medical nutrition on the nutrition and the effect of goat milk on infants and young children, 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; (2) increasing investment in brand building and marketing by adopting the dual celebrity endorsements model by engaging Ms. Tang Yan (唐嫣) and Mr. Huang Lei (黃磊), releasing monthly trending dramas, and focusing 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; (3) focusing on the promotion of key baby chain stores, upgrading and reforming the channel value chain, controlling the flow of products, etc. to better protect the interests of the channels and achieve a "win-win" situation for the channels with perseverance; (4) focusing on consumer setting activities with the policy of "Innovation, Diversity, Quality and Efficiency (創新多樣、提質驅效)"; and (5) diversification of new products with replacement and upgrades: launched the toddler growing-up nutrition goat milk formula "Xiangyang (向揚)", organic goat milk powder "Yuebai (悅白)", middle-aged and elderly people goat milk powder "Yingjia Baohu (營嘉葆護)", goat milk formula "Yingjia Yingxin (營嘉瀅心)" and organic goat milk powder "Yingjia (營嘉)" (the first organic goat milk powder for adults).

According to NielsenIQ, in terms of imported infant and young children's goat milk powder, Kabrita's market share in the imported infant and young children's goat milk powder market in the PRC exceeded 60.0% for five consecutive years (2018 to 2022).

Kabrita is also available in markets including Europe, the USA, the Middle East countries, the CIS, Mexico, etc. Following the global relaxation of pandemic restrictions, revenue derived from these markets recorded an increase of 21.8% to RMB265.7 million for the Year 2022.

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

Nutrition business

During the Year 2022, revenue derived from the nutrition products amounted to RMB133.0 million, representing a YoY decrease of RMB44.1 million, or 24.9%. The decrease was mainly attributable to the slowdown in sales of gut relief products, which decreased by RMB48.9 million or 64.2% when compared with the Year 2021. The decrease was partially compensated by the increase in probiotic related products. Revenue contributed by the probiotic related products for the Year 2022 amounted to a total of RMB98.5 million, representing a YoY increase of 16.9%.

Gross profit and gross profit margin

	Gross profit		Gross profit margin	
	2022 RMB'M	2021 RMB'M (Restated)	2022 %	2021 % (Restated)
Own-branded formula milk powder products:				
Cow milk	1,513.3	2,322.1	51.8	56.7
Goat milk	1,967.6	1,976.3	54.8	58.7
	3,480.9	4,298.4	53.4	57.6
Private Label and others	53.6	25.8	4.7	2.8
Dairy and related products	3,534.5	4,324.2	46.1	51.5
Nutrition products	82.6	113.3	62.1	64.0
	3,617.1	4,437.5	46.4	51.7
Less: write-down of inventories to net realisable value	(224.3)	(284.1)		
Total	3,392.8	4,153.4	43.5	48.4

The Group's gross profit for the Year 2022 was RMB3,392.8 million, representing a decrease of RMB760.6 million, or 18.3%, when compared with the Year 2021. The decrease in the gross profit margin of the Group from 48.4% for the Year 2021 to 43.5% for the Year 2022 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 as a result of the intense market competition; (ii) increase in milk price; and (iii) the high inflation in the Netherlands (11.6% for the Year 2022), where the Group's upstream facilities are located. Such decrease was partly compensated by the decrease in inventories provision of RMB59.8 million.

Selling and distribution expenses

Selling and distribution expenses, which mainly comprised advertising and promotion expenses, exhibition and trade show expenses, salaries and travelling costs of the sales and marketing staff and delivery costs, represented 27.8% (Year 2021: 28.1% (restated)) of the revenue, has remained relatively stable for the Year 2022.

Administrative expenses

Administrative expenses mainly comprised staff costs, travelling expenses, office expenses, auditor's remuneration, professional fees, depreciation and the impairment of intangible assets and property, plant and equipment of RMB20.7 million and RMB5.2 million, respectively. Excluding the one-off impact of the impairments, the increase in administrative expenses was primarily attributed to the general increase in staff costs and travelling expenses following the gradual recovery from the worldwide pandemic and the increase in professional fees incurred in respect of the Group's corporate actions.

Other income, other gains/(losses) – net

	Notes	2022 RMB'M	2021 RMB'M
Other income			
Interest income	(i)	38.2	28.1
Government grants	(ii)	27.5	40.7
Rental income		3.3	1.3
		69.0	70.1
Other gains/(losses) – net			
Gain on disposal of a subsidiary		1.9	–
Impairment of goodwill	(iii)	(162.0)	(14.5)
Charitable donations	(iv)	(11.7)	(22.3)
Foreign exchange losses, net	(v)	(9.5)	(12.7)
Provision for a customer claim		–	(34.3)
Others		(21.2)	(10.3)
		(202.5)	(94.1)
Total other income, other gains/(losses) – net		(133.5)	(24.0)

Notes:

(i) The amount mainly represented the interest income derived from the bank deposits that were placed with banks in the PRC. The increase in interest income was mainly due to increase in average bank balances contributed by the funding from the placement of new shares in January 2022.

(ii) The amount mainly represented subsidies received from the government in Mainland China for the contribution made by Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**") in the Hunan province, the PRC during the Year 2022.

(iii) The amount represented:

(a) the impairment of goodwill arising from the acquisition of certain of the Group's nutrition businesses (the "**Nutrition Business**") of RMB34.2 million. Due to the ongoing outbreak of COVID-19 pandemic since 2020 and the overall slowdown in the Daigou business in Australia, the performance of the Nutrition Business continues to perform below target. Accordingly, the recoverable amount of the Nutrition Business, which is calculated based on the latest 5-year forecast, is lower than its carrying amount and accordingly, an impairment of goodwill is recognised for the current year; and

(b) the impairment of goodwill arising from the acquisition of Ozfarm Royal Pty Ltd ("**Ozfarm**") of RMB127.8 million. Due to the intense market competition in infant formula milk powder products in the PRC, under which Ozfarm has yet to achieve its previous target; and the uncertainty in obtaining the corresponding formula registration in the PRC, the recoverable amount from Ozfarm cash-generating unit, which was calculated based on the latest 5-year forecast, is lower than its carrying amount and accordingly, an impairment of goodwill is recognised for the current year.

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

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

Finance costs

The finance costs of the Group for the Year 2022 amounted to RMB14.9 million (Year 2021: RMB18.8 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 decrease in finance costs was mainly due to an unrealised gain on interest rate cap contracts of RMB6.8 million (Year 2021: RMB0.1 million) recognsied during the year mainly resulted from the increase in interest rate which is more than sufficient to offset the impact arising from the increase in average interest-bearing bank loans and bank interest rate during the year.

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

The amount mainly represented share of profits of Farmel Holding B.V. and its subsidiaries (the "**Farmel Group**") of RMB22.6 million (Year 2021: share of losses of RMB40.5 million (restated)) for the Year 2022. The Farmel Group is principally engaged in the collection and trading of milk and dairy related commodities in Europe. The purpose for the investment in the Farmel Group is to secure the long-term milk supply for the Group's operations in the Netherlands.

The turnaround of the performance of the Farmel Group was mainly due to an one-off trading loss of RMB57.1 million arising from the hedging of dairy commodities (mainly butter) being recognised last year.

Impairment of investments accounted for using the equity method

The amount represented the impairment of goodwill of AJM B.V., the Group's 50%-owned joint venture, and its subsidiaries (the "**AJM Group**") of approximately RMB20.0 million (Year 2021: Nil) as a result of its continuous underperformance. The AJM Group is principally engaged in the sale and marketing of nutrition products, particularly formula milk powder products and cereals under its own brand names.

Income tax expenses

The effective income tax rate of the Group increased from 18.5% to 25.0% for the Year 2022. The increase in effective income tax rate by 6.5 percentage points was mainly due to there was a one-off written off of deferred tax assets of RMB47.9 million (Year 2021: Nil) being recognised during the year as a result of the continuous loss making on some of the Company's subsidiaries.

Profit attributable to the equity holders of the Company

The Group's profit attributable to the equity holders of the Company for the Year 2022 amounted to RMB216.5 million, representing a decrease of RMB547.3 million, or 71.7% when compared with the Year 2021.

Such decrease is mainly attributable to the decrease in the revenue of the Group's own-branded cow milk formulas and the decrease in gross profit margin of the Group's own-branded formula milk powder products by 4.2 percentage points for the reasons set out the above.

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

	Year 2022 RMB'M	Year 2021 RMB'M (Restated)
Profit attributable to the equity holders of the Company	216.5	763.8
Non-recurring items:		
Impairment of goodwill	162.0	20.8
Impairment of other intangible assets	20.7	–
Impairment of property, plant and equipment	5.2	–
Impairment of investments accounted for using the equity method	20.0	–
Write-off of deferred tax assets	47.9	–
	255.8	20.8
Adjusted profit attributable to equity holders of the Company	472.3	784.6

Excluding the adverse impact attributable to various non-recurring losses, the net profit attributable to equity holders of the Company would have decreased by RMB312.3 million, or 39.8%, when compared with the Year 2021.

Analysis on Consolidated Statement of Financial Position

As at 31 December 2022, the total assets and net asset value of the Group amounted to RMB9,796.1 million (2021: RMB9,632.5 million (restated)) and RMB5,565.1 million (2021: RMB4,931.1 million (restated)), respectively.

The increase in total assets of the Group as at 31 December 2022 was mainly attributable to the net effect of:

(i) the addition in property, plant and equipment of RMB792.8 million mainly arising as a result of the additions of construction in progress of RMB408.5 million for the building of a new infant formula base powder facility (the "**New IFBP Facility**") in the Netherlands and the addition of new headquarters in the PRC of RMB223.0 million;

(ii) the addition in other intangible assets of RMB133.0 million arising mainly for the purchase of goat milk collection rights and the upgrades of system software as part of the Group's digitalisation plan of RMB84.0 million and RMB31.0 million, respectively;

(iii) the increase in trade and bills receivables of RMB216.7 million as a result of the increase in e-commerce business which has a longer credit period than that of offline trading;

(iv) the impairment of goodwill of the Nutrition Business and Ozfarm cash-generating unit of a total of RMB162.0 million as mentioned above; and

(v) the decrease in cash and cash equivalents as a result of the decrease in cash flows generated from operating activities during the year.

The increase in total assets of the Group as at 31 December 2022 was mainly financed by proceeds from placement of new shares to the Subscriber of RMB739.0 million and the Group's internal financial resources.

The increase in net assets of the Group as at 31 December 2022 was mainly a result of the net effect of (i) the increase in the share capital and share premium of the Company from the placement of new shares to the Subscriber of RMB739.0 million; (ii) the net profit generated for the Year 2022 of RMB216.5 million (Year 2021: RMB763.8 million (restated)); and (iii) the payment of 2021 final dividend of RMB430.2 million.

Working Capital Cycle

As at 31 December 2022, the current assets to current liabilities ratio of the Group was 1.49 times (2021: 1.40 times (restated)).

An analysis of key working capital cycle is as follows:

	2022 Number of days	2021 Number of days (Restated)	Change Number of days
Inventories turnover days	183	189	(6)
Debtors' turnover days	26	19	7
Creditors' turnover days	40	34	6

The Group's inventories turnover days decreased gradually for the Year 2022 which was mainly attributable to improved production planning and logistic lead time in the upstream production facilities.

The turnover days of the Group's trade and bills receivables and payables were in line with the credit periods granted to the customers/by the suppliers.

Analysis on Consolidated Statement of Cash Flows

	2022 RMB'M	2021 RMB'M
Net cash flows (used in)/from operating activities	(357.5)	1,071.3
Net cash flows used in investing activities	(724.0)	(606.5)
Net cash flows from/(used in) financing activities	664.1	(34.1)
Net (decrease)/increase in cash and cash equivalents	(417.4)	430.7

Net cash flows (used in)/from operating activities

The net cash flows used in operating activities of the Group for the Year 2022 amounted to RMB357.5 million (Year 2021: from RMB1,071.3 million). The decrease in cash flows from operating activities was mainly attributable to the decrease in profit before tax by RMB639.4 million to RMB251.3 million and the decrease in contract liabilities by RMB556.8 million to RMB1,036.3 million as a result of the Group's policy to request its distributors to redeem more of their bonus points this year in order to support the Group's liquidity position.

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group for the Year 2022 of RMB724.0 million (Year 2021: RMB606.5 million) mainly represented the effect of (i) the purchases of items of property, plant and equipment of RMB571.5 million (Year 2021: RMB442.3 million) mainly for the building of the New IFBP Facility and other related facilities in the Netherlands; and (ii) the additions to other intangible assets of RMB133.0 million (Year 2021: RMB114.1 million) mainly for the purchase of goat milk collection rights and software upgrades as part of the Group's digitalisation plan of RMB84.0 million and RMB31.0 million, respectively.

Net cash flows from/(used in) in financing activities

The net cash flows from financing activities of the Group for the Year 2022 of RMB664.1 million (Year 2021: used in of RMB34.1 million) was primarily attributed to the net effect of (i) proceeds raised from placement of new shares to the Subscriber in January 2022 of RMB739.0 million (Year 2021: Nil); (ii) the decrease in pledged time deposits of RMB130.0 million (Year 2021: Nil); (iii) dividends paid during the year of RMB430.2 million (Year 2021: RMB388.2 million); and (iv) the net drawdown of new bank loans and other borrowings and lease payments of a total of RMB260.8 million (Year 2021: RMB337.4 million).

MATERIAL INVESTMENTS AND ACQUISITIONS AND DISPOSALS

On 21 October 2022, Ausnutria B.V., a wholly-owned subsidiary of the Company, and Dairy Goat Holland B.V., an independent third party, entered into the sale and purchase agreement for the acquisition of 50.0% of the issued shares of Amalthea Group B.V., a company incorporated in the Netherlands, and its subsidiaries (the "**Amalthea Group**") at a cash consideration of approximately EUR18.4 million (equivalent to approximately RMB130.7 million) (the "**Acquisition**"). The Amalthea Group is principally engaged in the exploitation of cheese factory and the trading of goat cheese and related products. Further details regarding the Acquisition are set out in the announcement of the Company dated 21 October 2022.

Subsequent to the end of the reporting period, on 9 February 2023, the Acquisition was completed and the Amalthea Group become an associate of the Company thereafter.

Save as disclosed above, there were no other material investments, acquisitions or disposals of subsidiaries, joint ventures or associated companies during the Year 2022 and up to the date of this report.

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	
	2022 RMB'M	2021 RMB'M
Interest-bearing bank loans and borrowings	(1,465.6)	(1,177.6)
Lease liabilities	(94.8)	(125.4)
Less: Pledged deposits[1]	125.2	255.2
Cash and cash equivalents[2]	1,861.9	2,262.2
	426.7	1,214.4
		(Restated)
Total assets	9,796.1	9,632.5
Shareholders' equity	5,646.6	4,978.1
Gearing ratio[3]	N/A	N/A
Solvency ratio[4]	57.6%	51.7%

Notes:

(1) An analysis of pledged deposits by currency is set out below:

	2022		2021	
Currency	RMB'M	%	RMB'M	%
RMB	123.4	98.6	253.2	99.2
Others	1.8	1.4	2.0	0.8
Total	125.2	100.0	255.2	100.0

(2) An analysis of cash and cash equivalents by currency is set out below:

	2022		2021	
Currency	RMB'M	%	RMB'M	%
RMB	1,543.8	82.9	1,926.2	85.1
EUR	3.0	0.2	118.6	5.2
AUD	72.9	3.9	116.0	5.1
HK$	93.4	5.0	31.8	1.4
US$	40.7	2.2	31.2	1.4
Others	94.2	5.8	38.4	1.8
Total	1,861.9	100.0	2,262.2	100.0

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

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

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

As at 31 December 2022, the Group had outstanding borrowings of RMB1,465.6 million (2021: RMB1,177.6 million), of which RMB1,021.6 million (2021: RMB687.1 million) was due within one year and the remaining RMB444.0 million (2021: RMB490.5 million) was due over one year. As at 31 December 2022, the Group's bank overdrafts and revolving facilities that were attributed to the Ausnutria B.V. group amounting to EUR150.0 million (equivalent to approximately RMB1,113.4 million) (2021: EUR100.0 million, equivalent to approximately RMB722.0 million), of which EUR86.0 million (equivalent to approximately RMB637.2 million) (2021: EUR60.0 million, equivalent to approximately RMB433.2 million) had been utilised as at 31 December 2022.

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

	2022		2021	
Currency	RMB'M	%	RMB'M	%
EUR	1,286.7	87.8	1,149.6	97.6
RMB	152.0	10.4	–	–
Others	26.9	1.8	28.0	2.4
Total	1,465.6	100.0	1,177.6	100.0

As at 31 December 2022, the Group had pledged (i) 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 (2021: EUR314.1 million, equivalent to approximately RMB2,267.5 million); and (ii) the time deposits that were placed in the PRC and the Netherlands of a total of RMB123.6 million (2021: RMB255.2 million) for the banking facilities granted to the Group for the financing of the Group's daily working capital and capital expenditure plans.

FOREIGN EXCHANGE RISK

The operations of the Group are mainly carried out in the PRC, the Netherlands, Australia and New Zealand. During the Year 2022, revenue, cost of sales and operating expenses of the Group are mainly denominated in Renminbi ("**RMB**"), Hong Kong dollars ("**HK$**"), EURO ("**EUR**"), United States dollars ("**US$**"), Australian dollars ("**AUD**"), Taiwan dollars ("**TWD**") or New Zealand dollars ("**NZD**") and RMB is the Group's presentation currency. Besides, most of the bank deposits and bank loans of the Group are denominated in RMB, EUR and AUD, respectively. The Group is exposed to potential foreign exchange risk as a result of fluctuation of HK$, EUR, US$, AUD, TWD or NZD against RMB.

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

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

INTEREST RATE RISK

The Group has exposure to the risk of change in market interest rate in relation to its interest-bearing bank loans and other borrowings with a floating interest rate. The Group will consider and enter into interest rate swap or cap contract to mitigate the risk of floating interest rate if necessary. In order to minimise the impact of the interest rate exposure, the Group entered into interest rate cap contracts with a bank of notional amount of EUR32.0 million (2021: EUR40.0 million) and a total notional amount of EUR150.0 million (2021: Nil) with 3-month floating Euro Interbank Offered Rate being capped at an interest rate of zero per annum and 3% per annum, respectively. All the interest rate cap contracts will expire in 2023.

CREDIT RISK

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

The carrying amounts of cash and cash equivalents, trade and bills receivables, 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 2022, 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 RMB597.9 million (2021: RMB634.7 million).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities (2021: Nil).

PRIOR YEAR ADJUSTMENTS

The Company restated its comparative figures for the Year 2021 in order to correct certain prior period errors identified.

As depicted in note 41 to the consolidated financial statements, the restatement comprises of eight adjustments, causing a decrease of RMB276.5 million in the Group's profits for the Year 2021 in total. Among these eight adjustments, adjustment (i) (which corrects the errors in the accuracy of the recognition for sales incentive program) has the most significant financial impact, causing RMB218.9 million decrease in the Group's profits. The remaining seven adjustments contribute to the remaining RMB57.6 million decrease in the Company's profits.

Adjustment (i) was initially discovered in May 2022 (details of which are disclosed in the Company's interim report for the six months ended 30 June 2022), and further adjustment is made in this regard after the Company completed a profound review on the accounting treatment of its sales incentive program. In respect of adjustments (ii) to (v), the Company discovered these errors during the audit of its consolidated financial statements for the Year 2021 and decided not to take up these adjustments at that time as they do not materially affect the Group's financial performance and financial position.

The Company confirms that the aforementioned prior year adjustments have no enduring impact to the Group's consolidated financial statements going forward. The Company further undertakes to conduct a comprehensive review for the purpose of improving its internal control and financial reporting systems so as to mitigate the risk of re-occurrence.

HUMAN RESOURCES

Number of full-time employees	Mainland China	Hong Kong	The Netherlands	Australia and New Zealand	Others	Total
31 December 2022	3,282	11	741	137	119	4,290
31 December 2021	3,902	11	735	148	100	4,896

As at 31 December 2022, the male to female ratio in the workforce of the Group including senior management is approximately 47:53. The Group will continuously keep the right mix of people to work together and the gender diversity at all levels of the Group for better collaboration.

For the Year 2022, total employee costs, including Directors' emoluments, amounted to RMB1,481.0 million (Year 2021: RMB1,485.5 million). The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale.

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

USE OF PROCEEDS FROM YILI SUBSCRIPTION

The gross and net proceeds raised from the Yili Subscription which was completed on 28 January 2022 amounted to approximately HK$905.4 million and HK$905.0 million, respectively. As at 31 December 2022, the utilisation of the net proceeds from the Yili Subscription in accordance with the intended use of proceeds as stated in the circular of the Company dated 27 October 2021, which is expected to be fully utilised by end of 2023, is set out below:

	Net proceeds from the Yili Subscription HK$'M	Utilised during the year from the completion of the Yili Subscription to the date of this report HK$'M	Unutilised balance as at the date of this report HK$'M
Expansion of the Company's upstream production facilities	271.5	(271.5)	–
Acquisition of nutrition-related business	271.5	–	271.5
Enhance the Group's processing and logistics capabilities in the PRC	181.0	(59.7)	121.3
Investment in the Group's brand building related activities	90.5	(90.5)	–
General working capital:			
(a) Repayment of bank loans and bank borrowings in Hong Kong and the Netherlands	45.2	(45.2)	–
(b) Working capital	45.3	(45.3)	–
General working capital total	90.5	(90.5)	–
Total	905.0	(512.2)	392.8

The Directors are pleased to present the corporate governance report (the "**CG Report**") for the Year 2022.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules 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.

During the Year 2022, in the opinion of the Board, the Company has complied with the respective code provisions of the CG Code. The Company will continue to review its corporate governance practices from time to time to ensure they comply with the CG Code and align with the latest developments.

Subsequent to the reporting period, Mr. Yan Weibin, who has been the chairman of the Board (the "**Chairman**"), was also appointed as the chief executive officer (the "**CEO**") of the Group on 27 January 2023. 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. The Board believes that the new structure ensures that the Group has consistent leadership and could make and implement the overall strategy of the Group more effectively and this structure does not compromise the balance of power and authority. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

MODEL CODE FOR TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules as the standards for the Directors' dealings in the securities of the Company. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the Year 2022 and up to the date of this report.

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

THE BOARD

Board Composition

As at the end of the reporting period, the Board comprised nine members, including three executive Directors (the "**EDs**"), three non-executive Directors (the "**NEDs**") and three independent non-executive Directors (the "**INEDs**"). Save for Mr. Sun Donghong, Mr. Zhang Zhanqiang and Mr. Zhang Lingqi, all working in Yili Industrial, a substantial Shareholder, the Board members have no financial, business, family or other material/relevant relationships with each other. The Board's composition is formed to be well balanced to ensure that strong independence exists across the Board, with diversity in skills, expertise, experience and qualifications concerning the Directors. The biographies of the Directors, including the relationship between the members, if any, are set out in the section headed "Management Profiles" on pages 55 to 60 of this report.

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

For the Year 2022 and up to the date of this report, the Board comprised the following members and each of their roles are as follows:

	Board Committees		
	Audit Committee	Nomination Committee	Remuneration Committee
Director			
Executive Directors:			
Mr. Yan Weibin	N/A	Chairman	Member
Mr. Bartle van der Meer	N/A	N/A	N/A
Ms. Ng Siu Hung	N/A	N/A	N/A
Non-executive Directors:			
Mr. Sun Donghong (appointed on 18 March 2022)	N/A	Member	N/A
Mr. Zhang Zhanqiang (appointed on 18 March 2022)	N/A	N/A	Member
Mr. Zhang Lingqi (appointed on 20 April 2022)	N/A	N/A	N/A
Mr. Shi Liang (resigned on 18 March 2022)	N/A	N/A	N/A
Mr. Tsai Chang-Hai (resigned on 18 March 2022)	N/A	N/A	N/A
Mr. Qiao Baijun (resigned on 20 April 2022)	N/A	Member	Member
Independent Non-executive Directors:			
Mr. Ma Ji (appointed on 20 April 2022)	Chairman	Member	Member
Mr. Song Kungang (appointed on 2 December 2022)	Member	Member	Chairman
Mr. Aidan Maurice Coleman	Member	Member	Member
Mr. Ren Fazheng (appointed on 20 April and resigned on 2 December 2022)	Member	Member	Chairman
Mr. Lau Chun Fai Douglas (resigned on 20 April 2022)	Chairman	Member	Chairman
Mr. Jason Wan (resigned on 20 April 2022)	Member	Member	Member

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

During the Year 2022, the Board at all times met the requirements of the Listing Rules of appointing at least three INEDs representing one-third of the Board with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise.

Board Responsibilities

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

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

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

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

The Board acknowledges its responsibility for preparing consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and its results and cash flows for the relevant financial period. In preparing the consolidated financial statements for the Year 2022, the Board ensured that (i) the consolidated financial statements have been prepared in accordance with statutory requirements and applicable accounting standards, and they have been applied consistently; (ii) judgments and estimates made are prudent, fair and reasonable; and (iii) the consolidated financial statements are prepared on a going concern basis. The Board is also responsible for the timely publication of the consolidated financial statements of the Group.

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

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

Executive Directors

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

Non-Executive Directors

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

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

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

Independent Non-Executive Directors

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

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

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

Each INED is required to inform the Stock Exchange as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence. No such notification was received during the Year 2022.

The Company has received an annual confirmation of independence from each of the INEDs pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent in accordance with the definition of the Listing Rules for the Year 2022. The Chairman had a meeting with all the INEDs without the presence of other Directors in the Year 2022 pursuant to Rule A.2.7 of the CG Code.

Appointment, Re-election and Removal of Directors

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

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

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

Chairman of the Board and Chief Executive Officer

Since the early stage of its incorporation, the Company has segregated the duties of the Chairman and the CEO. Mr. Yan Weibin has been the Chairman and Mr. Bartle van der Meer had been the CEO since 2014. Subsequent to the reporting period, on 27 January 2023, Mr. Bartle van der Meer resigned as the CEO and Mr. Yan Weibin was appointed as the CEO. The above change of CEO is part of the Company's step-up actions to surmount increasing competition in the PRC infant formula market, which Mr. Yan Weibin is based, to ensure timely responses to customers' needs in the post-COVID era. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Moving forward, Mr. Yan Weibin is responsible for overseeing and leading the Board, making sure it works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. He is also responsible for managing and executing the Group's overall business directions and corporate operation decisions.

Directors' Liability Insurance

The Company has subscribed for appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities. The coverage and the sum insured under the policy are reviewed and renewed on an annual basis. The insurance coverage was renewed on 7 January 2023.

Induction and Continuous Professional Development

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

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

Based on the training records as provided to the Company by the Directors, the Directors have participated in the following training during the Year 2022:

	Types of training
Executive Directors:	
Mr. Yan Weibin	A, B
Mr. Bartle van der Meer	A, B
Ms. Ng Siu Hung	A, B
Non-executive Directors:	
Mr. Sun Donghong (appointed on 18 March 2022)	A, B, C
Mr. Zhang Zhanqiang (appointed on 18 March 2022)	A, B, C
Mr. Zhang Lingqi (appointed on 20 April 2022)	A, B, C
Mr. Shi Liang (resigned on 18 March 2022)	A, B
Mr. Tsai Chang-Hai (resigned on 18 March 2022)	A, B
Mr. Qiao Baijun (resigned on 20 April 2022)	A, B
Independent Non-executive Directors:	
Mr. Ma Ji (appointed on 20 April 2022)	A, B, C
Mr. Song Kungang (appointed on 2 December 2022)	A, B, C
Mr. Aidan Maurice Coleman	A, B
Mr. Ren Fazheng (appointed on 20 April and resigned on 2 December 2022)	A, B
Mr. Lau Chun Fai Douglas (resigned on 20 April 2022)	A, B
Mr. Jason Wan (resigned on 20 April 2022)	A, B

Notes:

A: training and seminars

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

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

Board's Corporate Governance Functions

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

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

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

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

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

(e) to review the Company's compliance with Appendix 14 to the Listing Rules (the CG Code and CG Report).

During the Year 2022, the Board has reviewed (i) the Company's corporate governance policies and practices; (ii) the training and continuous professional development of the Directors and senior management; and (iii) the Company's policies and practices on compliance with legal and regulatory requirements.

Board and Board Committee meetings

The Board meets regularly, no less than four times a year pursuant to Rule A.1.1 of the CG Code, to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The schedule for the regular meetings of the Board and the Board committees was prepared and approved by the Board at the end of the previous year. Formal notices were sent to the Directors at least 14 days before the respective meetings shall be held officially.

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

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

BOARD COMMITTEES

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

Audit Committee

As at the end of the reporting period, the Audit Committee comprised three members and they are all the INEDs (Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman). The Audit Committee is chaired by Mr. Ma Ji, who is a member of the Chinese Institute of Certified Public Accountants pursuant to Rules 3.21 of the Listing Rules. The primary duties of the Audit Committee are to monitor the integrity of the Company's financial statements, annual and interim reports, account, risk management and internal control as well as maintain an appropriate relationship with the Company's external auditors; give material advice in respect of financial reporting, internal control and risk management systems and the effectiveness of internal audit function of the Company; make recommendations to the Board on the appointment and removal of external auditors; and review arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for ensuring the internal audit function is staffed by employees with appropriate qualification, experience, integrity and independence of mind, has appropriate standing within the Company, and reviewing and monitoring its effectiveness. The written terms of reference of the Audit Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

The Audit Committee had reviewed the Company's interim results for the six months ended 30 June 2022, the annual results for the Year 2022, risk management and internal control systems of the Group, the effectiveness of the Company's internal audit function as well as considered and discussed with the external auditors regarding their re-appointment and independence. All issues raised by the external auditors and the Audit Committee have been addressed by the Board. Save for the restatements, details of which are set out in note 41 to the consolidated financial statements for the Year 2022, no issues brought to the attention of the Board were of sufficient significance for disclosure in this report.

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

Nomination Committee

As at the end of the reporting period, the Nomination Committee comprised five members, an ED (Mr. Yan Weibin), a NED (Mr. Sun Donghong) and all three INEDs (Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman). The Nomination Committee is chaired by Mr. Yan Weibin. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, the nomination policy and diversity policy of the Board and the Nomination Committee on a regular basis; recommend to the Board suitable candidates for directorship after considering the nominees' independence and quality in order to ensure the fairness and transparency of all nominations; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors if necessary. In the selection process of a candidate to act as a Director, the Nomination Committee makes reference to criteria including but not limited to, reputation for integrity, accomplishment and experience in the industry, professional and educational background, and commitment in respect of available time and assesses the independence of the INEDs. The written terms of reference of the Nomination Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange, and are available to the Shareholders upon request.

Nomination procedures and process

(i) Appointment by the Board

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

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

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

(ii) Appointment by the Shareholders at a general meeting

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

(iii) Re-appointment at a general meeting

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

Board Diversity Policy

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

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

During the Year 2022, the Nomination Committee reviewed the board diversity policy, the procedure for the selection, appointment and reappointment of Directors, the structure, size and composition of the Board, the independence of the INEDs and considered the qualifications of the retiring Directors standing for re-election at the AGM on an annual basis.

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

Remuneration Committee

As at the end of the reporting period, the Remuneration Committee comprised five members, an ED (Mr. Yan Weibin), a NED (Mr. Zhang Zhanqiang) and all three INEDs (Mr. Ma Ji, Mr. Song Kungang and Mr. Aidan Maurice Coleman). The Remuneration Committee is chaired by Mr. Song Kungang. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall emolument policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration, and ensure none of the Directors determines their own remuneration. The written terms of reference of the Remuneration Committee, which are in line with the code provisions of the CG Code, had been posted on both the websites of the Company and the Stock Exchange and are available to the Shareholders upon request.

During the Year 2022, the Remuneration Committee reviewed the emolument policy and structure of the Company, the share option plan, the remuneration packages as well as the annual bonuses of the Directors and the senior management and, assessed the performance of the EDs.

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

Attendances of the Directors at various Board meetings, Board committee meetings and general meetings during the Year 2022:

	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meeting	Year 2021 AGM	Extraordinary general meeting
Executive Directors:						
Mr. Yan Weibin [(1)]	6/6	1/5	1/1	1/1	1/1	1/1
Mr. Bartle van der Meer	2/6	N/A	N/A	N/A	0/1	1/1
Ms. Ng Siu Hung	5/6	N/A	N/A	N/A	1/1	1/1
Non-executive Directors:						
Mr. Sun Donghong (appointed on 18 March 2022)	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Zhang Zhanqiang (appointed on 18 March 2022)	6/6	N/A	N/A	1/1	1/1	1/1
Mr. Zhang Lingqi (appointed on 20 April 2022)	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Shi Liang (resigned on 18 March 2022)	N/A	N/A	0/1	N/A	N/A	N/A
Mr. Tsai Chang-Hai (resigned on 18 March 2022)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Qiao Baijun (resigned on 20 April 2022)	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:						
Mr. Ma Ji [(2)] (appointed on 20 April 2022)	5/5	3/3	N/A	N/A	1/1	1/1
Mr. Song Kungang [(3)] (appointed on 2 December 2022)	N/A	1/1	N/A	N/A	N/A	N/A
Mr. Aidan Maurice Coleman	3/6	4/5	1/1	0/1	1/1	1/1
Mr. Ren Fazheng (appointed on 20 April and resigned on 2 December 2022)	4/5	2/2	N/A	N/A	1/1	1/1
Mr. Lau Chun Fai Douglas (resigned on 20 April 2022)	1/1	2/2	1/1	1/1	N/A	N/A
Mr. Jason Wan (resigned on 20 April 2022)	1/1	2/2	1/1	1/1	N/A	N/A

Notes:

(1) Chairman of the Board and the Nomination Committee.
(2) Chairman of the Audit Committee.
(3) Chairman of the Remuneration Committee.

Delegation by the Board

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

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

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

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

Remuneration of Directors and Senior Management

The remuneration of Directors and the senior management by band for the Year 2022 is set out below:

Remuneration bands (HK$)	Number of persons
0 – 1,000,000	11
1,000,001 – 1,500,000	5
1,500,001 – 2,000,000	6
2,000,001 – 2,500,000	5
2,500,001 – 3,000,000	1
3,000,001 – 3,500,000	1
11,500,001 – 12,000,000	1
	30

Further particulars regarding Directors' and chief executive's remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11 to the consolidated financial statements.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for facilitating the Board process, as well as communication among Board members, the Shareholders and management. For the Year 2022, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. The biography of the Company Secretary is set out on page 57 of this report, with details of his diversity of skills, expertise, experience and qualifications.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid/payable to the Company's external auditors in respect of audit and non-audit services for the Year 2022 is set out below:

PricewaterhouseCoopers

Type of Services	RMB'000
Audit services	13,620
Other assurance services	200
Total	13,820

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Internal Control Framework

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

Risk Management Approach

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

Internal Control Systems

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

Internal Audit

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

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

Handling and Dissemination of Inside Information

The Group has adopted a guideline, namely, the "Employees' Code of Dealing the Securities of the Company" for its senior management and employees who are likely to be in possession of unpublished inside information of the Company on terms no less exacting than the Model Code and the Guidelines on Disclosure of Inside Information of the SFO. The aforementioned guideline sets out the procedure and internal control procedures to ensure timely disclosure of inside information of the Group and fulfilment of the Group's continuous disclosure obligations and provides a general guideline and standards for the Company's senior management, officers and relevant employees in dealing in the securities of the Company to ensure inside information is kept confidential until disclosures are made. During the Year 2022, no incidents of non-compliance of the "Employees' Code of Dealing the Securities of the Company" was noted by the Group.

Assessing The Effectiveness of Risk Management and Internal Control System

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. The review process comprises, among other things, meeting with senior management, internal audit department and external auditors, reviewing the relevant work reports and information of key performance indicators, the management's self-assessment on internal control as detailed above and discussing the major risks with the senior management of the Company. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control systems on an annual basis covering the Year 2022, among others, the financial, operational and compliance controls. Save for the restatements, details of which are set out in note 41 to the consolidated financial statements for the Year 2022, the Board considered the risk management and internal control systems of the Group are effective and adequate. No other material deficiencies nor significant areas of concern that might affect the Shareholders were identified during the review. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders, investors and potential investors. To the best belief of the Board, the Company has published all of its announcements on time in accordance with the Listing Rules. All these information are available for public access on the Company's website and the website of the Stock Exchange.

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

The Company encourages the Shareholders to attend AGMs and other general meetings to communicate their views and concerns to the Board directly to ensure a high level of accountability. The Directors acknowledge their responsibility for the timely holding of AGMs. The last Shareholders' meeting was the extraordinary general meeting held on 5 September 2022 at 22nd Floor, Block A, Building 1, Ausnutria Building, Suncity, Purui East Road, Yueliangdao Street, Wangcheng District, Changsha City, Hunan Province, the PRC for the purpose of considering, and if thought fit, approving, among other things, the removal of Ernst & Young as the auditor of the Company and its subsidiaries and the appointment of PricewaterhouseCoopers as the auditor of the Company. The proposed special and ordinary resolutions were passed by way of poll at the meeting.

The AGM for the Year 2022 will be held on 30 May 2023. The notice of AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

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

Shareholders' Communication Policy

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The Board has reviewed the implementation of shareholders' communication policy and is satisfied that it has been effective for the Company to communicate with the Shareholders through available channels.

Dividend Policy

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

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

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

Constitutional Documents

During the Year 2022, there had been no significant change in the Company's constitutional documents.

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

The Directors hereby present their report and the audited consolidated financial statements for the Year 2022.

PRINCIPAL ACTIVITIES

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

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

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

There were no significant changes in the nature of the Group's principal activities during the year. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance for the Year 2022 by operating segment is set out in note 4 to the consolidated financial statements of this report.

BUSINESS REVIEW

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

Topics	Sections
A fair review of the business of the Group during the Year 2022 and the Group's future business development	Chairman's Statement (pages 8 to 11)
A discussion of the principal risks and uncertainties facing the Group, measures undertaken to manage such risks and an analysis of the Group's performance using key performance indicators	Management Discussion and Analysis (pages 14 to 26)
The Company's key relationships with its employees	Chairman's Statement (pages 8 to 11) Directors' Report (page 42)
The Company's key relationships with its customers and suppliers	Directors' Report (page 44 to 45)
A discussion on relationships with the Company's stakeholders	Corporate Governance Report (pages 27 to 40)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and has provided guidelines to staff on compliance with laws and regulations. The Group's main operations are carried out by the Company's subsidiaries in the PRC, the Netherlands and Australia while the Company is listed in Hong Kong. During the Year 2022 and up to the date of this report, the Board was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group.

SUSTAINABILITY POLICIES AND PERFORMANCE

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. The Group's sustainability report for the Year 2021 received a rating A from MSCI.

During the Year 2022, the Group promoted healthy lives and equal opportunities for the communities through different channels. Ausnutria Foundation donated more than RMB27.0 million in cash or in-kind to provide tangible assistance to the community in the PRC. The Group has also provided sponsorship and donation to various charities and organisations related to health and sports development in local communities including SC Heerenveen football team in the Netherlands. Other than community, Ausnutria also cares about its employees and is committed to promoting workplace well-being. The Group has established a whistleblowing mechanism for its employees to address grievances in the workplace, which will be regularly reviewed to ensure its effectiveness. The Group also provided structured training and development programmes for its employees through learning platforms such as the Dairy Academy and the Ausnutria Academy.

The Group will continue to develop sustainability targets based on its sustainability pillars: Better Nutrition, Better Life and Better Environment. 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)(iv) to Appendix 27 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 27 to the Listing Rules. For more information about Ausnutria's sustainability commitment and performance for the Year 2022, please refer to the sustainability report published at the same time as this annual report. The English and Chinese versions of the sustainability report 2022 are available to be viewed and/or downloaded on the Company's website at www.ausnutria.com.hk (by clicking "ESG Reports" under the section headed "Investors") and the Stock Exchange's website at www.hkexnews.hk.

RESULTS AND DIVIDENDS

The Group's results for the Year 2022 and the Group's financial position at that date are set out in the consolidated financial statements on pages 66 to 72 of this report.

The Board is pleased to recommend the payment of a final dividend of HK$0.06 (Year 2021: HK$0.28) per Share for the Year 2022 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 2023, the proposed final dividend is expected to be paid on or around 28 June June 2023. As at the date of this report, 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 24 May 2023 to 30 May 2023 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified to attend the forthcoming AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 23 May 2023.

(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 5 June 2023 to 7 June 2023 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for the proposed final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investors Services Limited at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 2 June 2023.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 172 of this report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year 2022 are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in the investment property of the Group during the Year 2022 are set out in note 17 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Group are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company during the Year 2022 are set out in notes 34 and 35 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year 2022, the Company repurchased 8,434,000 Shares on the Stock Exchange at a total consideration of HK$39,863,420. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased by the Company during the Year 2022 are disclosed as below:

Month of Repurchase	Aggregate number of Shares repurchased	Repurchased Price Highest	Repurchased Price Lowest	Total consideration paid[2]
		HK$	HK$	HK$
July	1,177,000	7.55	6.78	8,477,230
September	2,456,000	5.00	4.46	11,720,790
October	4,517,000	5.19	3.60	18,663,180
November	284,000	3.70	3.47	1,002,220
Total	8,434,000[1]			39,863,420

Notes:

1. These Shares repurchased by the Company were cancelled on 30 November 2022.

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

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 2022.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year 2022 are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's accumulated losses amounted to RMB188,564,000 (2021: RMB104,582,000). As at 31 December 2022, the Company's share premium account available for distribution under certain conditions, amounted to RMB3,089,922,000 (2021: RMB2,824,031,000), of which RMB96,479,000 (2021: RMB393,423,000) has been proposed as a final dividend for the year.

CHARITABLE CONTRIBUTIONS

During the Year 2022, the Group made charitable contributions totaling RMB11,680,000 (Year 2021: RMB22,283,000).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

During the Year 2022, sales to the Group's five largest customers accounted for 7.0% (Year 2021: 8.9% (restated)) of the total sales for the year and sales to the largest customer included therein amounted to 1.8% (Year 2021: 2.7% (restated)). Purchases from the Group's five largest suppliers accounted for 27.8% (Year 2021: 29.3%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 11.6% (Year 2021: 12.3%).

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

DIRECTORS

The Directors who were in the office during the Year 2022 and up to the date of this report were as follows:

Executive Directors:

Mr. Yan Weibin (appointed as CEO on 27 January 2023) *(Chairman and CEO)*
Mr. Bartle van der Meer (resigned as CEO on 27 January 2023)
Ms. Ng Siu Hung

Non-executive Directors:

Mr. Sun Donghong (appointed on 18 March 2022) *(Vice-Chairman)*
Mr. Zhang Zhanqiang (appointed on 18 March 2022)
Mr. Zhang Lingqi (appointed on 20 April 2022)
Mr. Shi Liang (resigned on 18 March 2022)
Mr. Tsai Chang-Hai (resigned on 18 March 2022)
Mr. Qiao Baijun (resigned on 20 April 2022)

Independent Non-executive Directors:

Mr. Ma Ji (appointed on 20 April 2022)
Mr. Song Kungang (appointed on 2 December 2022)
Mr. Aidan Maurice Coleman
Mr. Ren Fazheng (appointed on 20 April and resigned on 2 December 2022)
Mr. Lau Chun Fai Douglas (resigned on 20 April 2022)
Mr. Jason Wan (resigned on 20 April 2022)

The resignation of Mr. Shi Liang, Mr. Tsai Chang-Hai, Mr. Qiao Baijun, Mr. Lau Chun Fai Douglas and Mr. Jason Wan was due to a change in the major shareholders' structure of the Company after the final closing of the Offer on 17 March 2022. Mr. Ren Fazheng resigned due to his other engagements.

In accordance with Article 83(3) of the Articles of Association, Mr. Song Kungang who was appointed as Director to fill casual vacancy of the Board shall hold office until the forthcoming AGM and being eligible, offer himself for re-election.

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

The Company has received annual confirmations of independence from each of the INEDs in accordance with Rule 3.13 of the Listing Rules for the Year 2022. The Company considers all of the INEDs to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Management Profiles" on pages 55 to 60 of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the Year 2022.

DIRECTORS' SERVICE CONTRACTS

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

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

EMOLUMENT POLICY

The remuneration of the Directors is determined by the Board, as authorised by the Shareholders at general meeting, with reference to the recommendation by the Remuneration Committee after taking into consideration of the Directors' experience, duties, responsibilities, performance, time devoted to the Group, the results of the Group as well as the prevailing market conditions. Details of remuneration of the Directors during the Year 2022 are set out in note 10 to the consolidated financial statements. As at the date of this report, there was no arrangement with any Director under which he/she has waived or agree to waive any emoluments. The remuneration of the senior management of the Group is recommended to the Board by the Remuneration Committee on the basis of their merit, qualifications and competence.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and employees of the Group, details of these are set out in the section headed "Share Option Scheme" of the Directors' Report and in note 35 to the consolidated financial statements.

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

Save for the transactions as disclosed in the section headed "Connected Transactions" and the related party transactions (which did not constitute as "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules) as disclosed in note 42 to the consolidated financial statements, no Director or an entity connected with the Director or the controlling Shareholders had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year 2022. During the Year 2022, there was no contract of significance for the provision of services to the Group by any controlling Shareholder or any of its subsidiaries.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in ordinary shares of the Company:–

	Number of Shares held, capacity and nature of interest			
Name of Director	Beneficial Owner	Interest of a controlled corporation	Total	Approximate percentage of issued share capital (3)
Mr. Yan Weibin	1,700,000	74,686,085(1)	76,386,085	4.24%
Mr. Bartle van der Meer	1,509,000	93,205,230(2)	94,714,230	5.24%
Ms. Ng Siu Hung	2,500,000	–	2,500,000	0.15%

Notes:

(1) The Shares are held by Ausnutria Holding Co Ltd ("**Ausnutria BVI**"), a company wholly-owned by Mr. Yan Weibin. Mr. Yan Weibin is therefore deemed to be interested in 76,386,085 Shares held by Ausnutria BVI under the SFO.

(2) The Shares are held by Dutch Dairy Investments HK Limited, which is in turn wholly-owned by Dutch Dairy Investments B.V. ("**DDI**"). DDI is wholly-owned by Fan Deming B.V., which is wholly-owned by Mr. Bartle van der Meer. Mr. Bartle van der Meer is therefore deemed to be interested in 93,205,230 Shares held by DDIHK and is interested in 94,714,230 Shares in aggregate under the SFO.

(3) As at 31 December 2022, the total number of the issued Shares was 1,800,111,841.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had registered an interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the grant of share options on 15 January 2019 under the Share Option Scheme (as defined below) and save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", at no time during the Year 2022 and up to the date of this report were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competed or was likely to compete with the business of the Group during the Year 2022 and up to the date of this report.

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

As at 31 December 2022, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as was known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares and underlying interests of 5% or more of the issued share capital of the Company were as follows:

Long position in the shares of the Company:

Name	Notes	Number of Shares	Nature of interest	Approximate percentage of issued share capital(4)
Inner Mongolia Yili Industrial Group Co, Ltd.	1	1,070,113,149	Interest of controlled corporation	59.45%
Center Laboratories, Inc.		146,918,271	Beneficial owner	8.16%
Dutch Dairy Investments HK Limited	2	93,205,230	Beneficial owner	5.18%
Dutch Dairy Investments B.V.	2	93,205,230	Interest of a controlled corporation	5.18%
Fan Deming BV	2	93,205,230	Interest of a controlled corporation	5.18%
Citagri Easter Ltd.	3	92,400,738	Beneficial owner	5.13%
Changsha Kunxin Xin'Ao Investment LP	3	92,400,738	Interest of controlled corporation	5.13%
Chengtong CITIC Agriculture Investment Fund	3	92,400,738	Interest of controlled corporation	5.13%
China Structural Reform Fund Co., Ltd* (中國國有企業結構調整基金股份有限公司)	3	92,400,738	Interest of controlled corporation	5.13%
Citagri Nutrition Investment Co., Limited	3	92,400,738	Interest of controlled corporation	5.13%
CITIC Agri Fund Management Co., Ltd.	3	92,400,738	Interest of controlled corporation	5.13%
CITIC Agriculture Technology Co., Ltd.	3	92,400,738	Interest of controlled corporation	5.13%
CITIC Limited	3	92,400,738	Interest of controlled corporation	5.13%
CITIC Group Corporation	3	92,400,738	Interest of controlled corporation	5.13%

Notes:

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

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

3. Citagri Easter Ltd. ("**Citagri Easter**") is owned as to approximately 53.14% by Changsha Kunxin Xin'Ao Investment LP* (長沙鯤信信澳股權投資合夥企業（有限合夥））("**Kunxin Xin'Ao**"), 30.40% by Easter Fund II LP and 16.46% by Easter Fund LP. Kunxin Xin'Ao is owned as to 91.17% by Chengtong CITIC Agriculture Investment Fund as a limited partner, which in turn is owned as to 34.90% by China Structural Reform Fund Co., Ltd.* (中國國有企業結構調整基金股份有限公司) and owned as to 37.20% by CITIC Agriculture Technology Co. Ltd (中信農業科技股份有限公司). Citagri Nutrition Investment Co., Limited, the general partner of Easter Fund LP and Easter Fund II LP, is indirect wholly-owned subsidiary of CAFM. CAFM is the general partner of Kunxin Xin'Ao and its largest shareholder is CITIC Agriculture Technology Co., Ltd., which owns 40.41% of the equity interest in CAFM. CITIC Agriculture Technology Co., Ltd. is an indirect wholly-owned subsidiary of CITIC Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 267), and CITIC Limited is indirectly owned as to 58.13% by CITIC Group Corporation.

4. As at 31 December 2022, the total number of the issued Shares of the Company was 1,800,111,841.

* *For identification purposes only*

Save as disclosed above, as at 31 December 2022, no person, other than the Directors, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

2009 SHARE OPTION SCHEME

Summary of Terms

A share option scheme was conditionally approved and adopted by a written resolution passed by all Shareholders on 19 September 2009 (the "**2009 Share Option Scheme**") whereby the Board was authorised, at their discretion, to invite, among other eligible participants, employees of the Group (including proposed employees, whether full-time or part-time and including any executive Director), non-executive Directors (including independent non-executive Directors), advisers and consultants, to take up options to subscribe for the Shares. The purpose of the 2009 Share Option Scheme is to enable the Company to grant options to the selected participants as incentives or rewards for their contribution to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. The 2009 Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the 2009 Share Option Scheme becomes unconditional (i.e. valid till 7 October 2019). Further details of the 2009 Share Option Scheme are set out in the prospectus of the Company dated 24 September 2009.

The total number of the Shares which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of approval of the 2009 Share Option Scheme (i.e. 100,000,000 Shares), which represents approximately 5.53% of the issued Shares as at 31 December 2022.

The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Status of the 2009 Share Option Scheme

Particulars and movements of share options under the 2009 Share Option Scheme during the Year 2022 were as follows:

			Number of options			
Grantees	Date of grant	Exercise price per share option	Outstanding as at 1 January 2022	Exercised during the Year 2022	Lapsed during the Year 2022 [1]	Outstanding as at 31 December 2022
Directors						
Mr. Yan Weibin	2019.01.15	HK$10.00	1,000,000	–	(1,000,000)	–
Mr. Bartle van der Meer	2019.01.15	HK$10.00	1,000,000	–	(1,000,000)	–
Ms. Ng Siu Hung	2019.01.15	HK$10.00	1,000,000	–	(1,000,000)	–
Mr. Shi Liang[2]	2019.01.15	HK$10.00	500,000	–	(500,000)	–
Mr. Qiao Baijun[3]	2019.01.15	HK$10.00	500,000	–	(500,000)	–
Mr. Tsai Chang-Hai[2]	2019.01.15	HK$10.00	333,334	–	(333,334)	–
Mr. Lau Chun Fai Douglas[3]	2019.01.15	HK$10.00	416,000	–	(416,000)	–
Mr. Jason Wan[3]	2019.01.15	HK$10.00	500,000	–	(500,000)	–
Mr. Aidan Maurice Coleman	2019.01.15	HK$10.00	500,000	–	(500,000)	–
Sub-total			5,749,334	–	(5,749,334)	–
Other						
Employees	2019.01.15	HK$10.00	31,250,000	–	(31,250,000)	–
Consultant of the Company	2019.01.15	HK$10.00	500,000	–	(500,000)	–
Total			37,499,334	–	(37,499,334)	–

Notes:

1. Lapsed upon final closing of the Offer on 17 March 2022.
2. Resigned on 18 March 2022.
3. Resigned on 20 April 2022.

During the Year 2022, all outstanding options were lapsed upon final closing of the Offer on 17 March 2022. Further details are set out in the circular and announcement of the Company dated 10 February 2022 and 17 March 2022 respectively.

The 2009 Share Option Scheme expired on 7 October 2019 and no further options would be granted thereunder.

NEW SHARE OPTION SCHEME

Summary of Terms

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

The total number of the Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the total number of the Shares in issue as at the date of approval of the New Share Option Scheme (i.e. 180,854,584 Shares), which represents approximately 10% of the issued Shares as at 30 June 2022. As at 1 January 2022 and 31 December 2022, 180,854,584 options were available for grant under the New Share Option Scheme.

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

As at 31 December 2022, no option had been granted or agreed to be granted under the New Share Option Scheme.

CONNECTED TRANSACTIONS

Connected Transactions

Details of the connected transactions of the Company for the Year 2022 are set out in the section headed "Change of Single Largest Shareholder" on page 13 of this report.

Continuing Connected Transactions

Details of the continuing connected transactions of the Company for the Year 2022 are set out as follows:

Processing Service Framework Agreement

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

The annual cap in respect of the transactions contemplated under the Processing Service Framework Agreement for each of the financial year ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB100.0 million, RMB150.0 million and RMB200.0 million, respectively. The actual transaction amount for the provision of processing services to Yili Industrial Group under the Processing Service Framework Agreement for the Year 2022 was approximately RMB10.5 million.

Supply Framework Agreement

On 23 September 2022, the Company entered into an agreement (the "**Supply Framework Agreement**") with Yili Industrial, pursuant to which Yili Industrial Group agreed to purchase the goat milk powder and related products from the Group from time to time during the terms of the Supply Framework Agreement. The duration of the Supply Framework Agreement started from 23 September 2022 to 31 December 2024.

The annual cap in respect of the sale of goat milk powder and related products by the Group to Yili Industrial Group under the Supply Framework Agreement for each of the financial year ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB100.0 million, RMB150.0 million and RMB200.0 million, respectively. The actual transaction amount for the sales of products to Yili Industrial Group under the Supply Framework Agreement for the Year 2022 was approximately RMB34.0 million.

Procurement Framework Agreement

On 23 September 2022, the Company entered into an agreement (the "**Procurement Framework Agreement**") with Yili Industrial, pursuant to which the Group agreed to purchase milk base powder and related ingredients from Yili Industrial Group from time to time during the terms of the Procurement Framework Agreement. The duration of the Procurement Framework Agreement started from 23 September 2022 to 31 December 2024.

The annual cap in respect of the purchase of milk base powder and related ingredients by the Group from Yili Industrial Group under the Procurement Framework Agreement for each of the financial year ending 31 December 2022, 31 December 2023 and 31 December 2024 is RMB200.0 million, RMB250.0 million and RMB300.0 million respectively. The actual transaction amount for the purchase of products from Yili Industrial Group under the Procurement Framework Agreement for the Year 2022 was approximately RMB31.7 million.

At the date of signing the above agreements, Yili Industrial is a controlling Shareholder holding 1,070,113,149 Shares, representing 59.17% of the then issued Shares. Accordingly, Yili Industrial is a connected person of the Company under the Listing Rules and accordingly, the transactions contemplated under the above agreements constitute continuing connected transactions of the Company under the Listing Rules. Further details regarding the above transactions are set out in the announcement of the Company dated 23 September 2022.

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

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

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

TAX RELIEF

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

EVENTS AFTER THE REPORTING PERIOD

Details of the important events affecting the Group after the reporting period are set out in note 45 to the consolidated financial statements.

FINANCIAL ADVISORS' INTEREST

The Company extended the appointment of Asian Capital Limited as the Company's financial advisor on a retainer basis for consultation on compliance with the Listing Rules for a period of one year commencing from 24 August 2022. During the term of the appointment, Asian Capital Limited will be accountable to the Audit Committee. As notified by Asian Capital Limited, during the Year 2022 and up to the date of this report, neither Asian Capital Limited nor any of its directors, employees or associates had any interests in the Shares or shares of any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the Shares or shares of any member of the Group.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section head "Share Option Schemes" on pages 49 to 51 of this report, no equity-linked agreement was entered into by the Company during the Year 2022 or subsisted at the end of the Year 2022.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the Year 2022 and up to the date of this report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the CG Report on pages 27 to 40 of this report.

PERMITTED INDEMNITY PROVISION

The Company has subscribed appropriate and sufficient insurance coverage on directors' and officers' liability insurance throughout the Year 2022, which provides appropriate cover for the Directors and officers of the Company.

AUDITORS

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

The consolidated financial statements for the Year 2022 had been audited by PricewaterhouseCoopers, who shall retire at the forthcoming AGM and, being eligible to offer themselves for re-appointment. A resolution of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Yan Weibin
Chairman

The PRC
30 March 2023

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

DIRECTORS

Executive Directors

Mr. YAN Weibin ("Mr. Yan"), Chairman and CEO

Mr. Yan, aged 57, was appointed as an ED on 8 June 2009, elected as the Chairman on 7 June 2013 and appointed as the CEO on 27 January 2023. Mr. Yan is the sole shareholder and director of Ausnutria BVI, one of the Shareholders, and also a director of a number of the Company's subsidiaries (including Ausnutria China). He was one of the principal founders of the Group and joined the Group in September 2003 when Ausnutria China was established, and has been acting as the chairman of Ausnutria China since its establishment. Mr. Yan is responsible for leading the Board and ensuring that it works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. Mr. Yan is also primarily responsible for managing and executing the Group's overall business directions and corporate operation decisions, also the overall corporate strategy and business development of the Group. He also acts as Chancellor of Ausnutria University. Mr. Yan was elected as a member of the Thirteenth Hunan committee of the Chinese People's Political Consultative Conference in January 2023, and was elected to be the Vice-Chairman of Hunan Provincial Federation of Industrial and Commerce in June 2020. Mr. Yan graduated from Hunan University with a bachelor's degree in engineering and a master's degree in business administration. Mr. Yan was a director of Yuan Longping High-tech Agriculture Co., Ltd* (袁隆平農業高科技股份有限公司) ("**Longping High-tech**"), a company listed on the Shenzhen Stock Exchange, from 2004 to January 2016. At Longping High-tech, he served as chief executive officer from 2004 to April 2010, vice chairman and chief financial officer from April 2010 to December 2011, chief executive officer and chief financial officer from December 2011 to June 2012 and vice president from June 2012 to January 2016.

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

Mr. van der Meer, aged 76, was appointed as an ED and the CEO on 7 June 2013 and resigned as the CEO on 27 January 2023. Mr. van der Meer is one of the founders of Ausnutria B.V. and has been involved in the strategic management since the establishment of Ausnutria B.V. in 1994. He is also a member of the board of directors of Ausnutria B.V. and the chairman of this one-tier board since January 2020. Mr. van der Meer is primarily responsible for the Group's corporate merger and acquisition, dairy supply related strategies and management and new capital expenditure projects in the Netherlands. He graduated with a business administration degree in the Netherlands with a major in banking in 1966. He worked for Rabobank, a multinational banking and financial services group in the Netherlands for more than 25 years. He is serving as the executive director of Fan Deming B.V., a private equity company which owned 100% equity interests in DDI, a substantial Shareholder, since 1994. Mr. van der Meer has been the chairman of supervisory board of sc Heerenveen NV (a soccer club which plays in the premier division in the Netherlands) since 1998 to 2012, and a member of Foundation Accell Group (a company listed on Euronext Amsterdam (formerly known as Amsterdam Stock Exchange) since 1998 to March 2022.

Ms. NG Siu Hung ("Ms. Ng")

Ms. Ng, aged 54, was appointed as an ED on 19 September 2009. Ms. Ng is also an executive director of Ausnutria China, primarily responsible for the Group's corporate brand building, government affairs and public relations affairs. She graduated from the University of Westminster, the United Kingdom with a master of arts degree in human resource management. Ms. Ng has been a director of Hunan Yukai Real Estate Co., Ltd* (湖南宇凱房地產有限公司) since 2004.

Non-executive Directors

Mr. Sun Donghong ("Mr. Sun"), Vice-Chairman

Mr. Sun, aged 51, was appointed as a NED on 18 March 2022. Mr. Sun graduated from Inner Mongolia University of Technology with a bachelor's degree in engineering in 1994. He has 27 years of experience in the dairy industry and has been successively engaged in production technology, production management, business operation management, strategic operations and etc. He joined Yili Industrial in 1994. He has been the assistant president of Yili Industrial since 2017 and is in charge of the Yili Industrial group's milk powder business department, yogurt business department, cheese business department, dairy technology research institute and such other new businesses.

Mr. Zhang Zhanqiang

Mr. Zhang Zhanqiang, aged 55, was appointed as a NED on 18 March 2022. Mr. Zhang Zhanqiang graduated from Inner Mongolia School of Finance and Economics in 1991 with a major in corporate finance, from Inner Mongolia University of Finance and Economics with a major in accounting in 1995, and from Central University of Finance and Economics with a bachelor's degree in management in 2007 respectively. He is a certified public accountant in the PRC, a certified tax agent in the PRC, and is qualified to practice accounting in the PRC. He joined Yili Industrial in January 2007, and has been the assistant to the president of the Yili Industrial group since 2019. Prior to that, he also served as the deputy general manager of the liquid milk business department and the general manager of the financial management department of Yili Industrial. Prior to joining Yili Industrial, he was primarily engaged in the accounting industry and served as a partner in Beijing Zhongtian Huazheng Accountancy Firm.

Mr. Zhang Linqi

Mr. Zhang Linqi, aged 55, was appointed as a NED on 20 April 2022. Mr. Zhang Lingqi graduated from Inner Mongolia Finance and Economics College (內蒙古財經學院) in 1991 majoring in international trade. He has 25 years of experience in the dairy industry and has been successively engaged in investment analysis, sales management, logistics management and strategic operations, etc. Mr. Zhang Linqi joined Yili Industrial in June 1996. He has been an assistant to the president of Yili Industrial since 2017 and is in charge of that group's strategic planning department. Mr. Zhang Linqi has also been the general manager of the operation management department and the strategic management department of Yili Industrial.

Independent Non-executive Directors

Mr. Ma Ji ("Mr. Ma")

Mr. Ma, aged 45, was appointed as an INED on 20 April 2022. Mr. Ma graduated from Peking University in 2000 with a bachelor's degree in economics, and China Europe International Business School in 2016 with an executive master of business administration degree. Mr. Ma is a member of the Chinese Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. Mr. Ma is now the chief financial officer of YQNLink. Mr. Ma was the chief financial officer of Autonavi Holdings Limited from 2013 to 2014, the senior director of Alibaba Group Holding Limited, a company listed on the Stock Exchange (stock code: 9988) from 2014 to 2015, and the vice president of JD.com, Inc., a company listed on NASDAQ and the Stock Exchange (stock code: JD and 9618) from 2015 to 2021. Mr. Ma has worked in Deloitte Touche Tohmatsu CPA Ltd. for over ten years and has extensive financial management experience.

Mr. Song Kungang ("Mr. Song")

Mr. Song, aged 74, was appointed as an INED on 2 December 2022. Mr. Song graduated from the department of animal husbandry of Beijing Agricultural University (currently known as China Agricultural University) with a bachelor of agriculture degree majoring in animal husbandry in 1982. Mr. Song was responsible for the management of the dairy industry as assistant engineer, engineer and senior engineer at the Department of Food Industry of the Ministry of Light Industry of the PRC and the department of food and papermaking of the China Light Industry Association from 1982 to 1998. Furthermore, he was the chairman of the first, second, third and fourth councils of the China Dairy Industry Association and the vice chairman and chairman of the China national committee of the International Dairy Federation (IDF) from 1995 to 2012. Subsequently, Mr. Song acted as the honorary chairman of the China Dairy Industry Association and the chairman of the China national committee of the International Dairy Federation (IDF) from 2012 to 2017. Mr. Song has been an adviser to the China Dairy Industry Association since 2017.

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

Mr. Coleman, aged 67, was appointed as an INED on 6 December 2018. Mr. Coleman graduated with a Bachelor of Arts degree in Economics and Psychology from The University of Auckland in 1978 and a Bachelor of Business Studies degree in marketing from The Massey University of New Zealand in 1991. He is a founder and currently the managing director of Longpoint Consulting Pty. Ltd., which provides private consulting and advisory services to various companies in Australia and New Zealand including retailers, dairy trading companies and FMCG marketing businesses. He has over 30 years of extensive experience in the manufacturing and marketing of consumer and food-service food and agricultural product. Prior to joining Longpoint Consulting Pty. Ltd., Mr. Coleman was the chief executive officer of Bega Cheese Limited (stock code: BGA.ASX), a company listed on the Australian Securities Exchange, until 2017. He was also the chief executive officer of Tatura Milk Industries Ltd. ("**Tatura**"), a wholly owned subsidiary of Bega Cheese Limited, from 2008 to 2011 and an executive director of Tatura from 2011 to 2017. Prior to joining Tatura, he was the managing director of Fonterra Brands (Australia) Pty. Ltd from 2005 to 2007, an Australian company which manufactures, markets and distributes dairy and non-dairy products.

SENIOR MANAGEMENT

Mr. WANG Wensong

Mr. Wang Wensong, aged 39, is the Chief Financial Officer of the Company ("**CFO**"). He joined the Group in February 2023. He graduated from Simon Fraser University in Canada in 2008 with a bachelor's degree majoring in Finance and Accounting and graduated from the University of Toronto in 2018 with a Master of Business Administration degree. He is a member of the Chartered Professional Accountants of Canada, the American Institute of Certified Public Accountants, and the Chartered Financial Analyst (CFA) Institute. Mr. Wang Wensong joined Yili Industrial in January 2019 and had been the finance director of the financial management department and the head of the mergers and acquisitions department. Prior to that, Mr. Wang Wensong was mainly engaged in accountancy practices and worked for Deloitte and PricewaterhouseCoopers in the PRC and Canada for nearly 10 years. Mr. Wang Wensong also has extensive experience in financial management.

Mr. WONG Wei Hua Derek

Mr. Wong Wei Hua Derek, aged 51, is the Chief Compliance Officer of the Company ("**CCO**") and the Company Secretary. He joined the Group as the deputy CFO in July 2011 and was appointed as joint Company Secretary (later redesignated as the Company Secretary on 3 December 2012) and the CFO on 26 September 2011. He was redesignated as the CCO on 22 February 2023. Mr. Wong Wei Hua Derek has over 20 years of experience in auditing and financial and corporate management. He graduated from York University with a double bachelor's degree in accounting and mathematics and is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in July 2011, Mr. Wong Wei Hua Derek was an audit manager with an international accounting firm, the financial controller of a manufacturing group of companies and the general manager of an investment company principally engaged in mining business in Indonesia.

Mr. DAI Zhiyong ("Mr. Dai")

Mr. Dai, aged 48, is an executive director of Ausnutria China, the chairman of the board of supervisors of the Group in the PRC region and chairman of Ausnutria Science and Technology Association (澳優科學技術協會). Shortly after the establishment of Ausnutria China, he joined the Group in 2003. Mr. Dai has a bachelor of chemistry degree and a master degree in food processing and safety. Mr. Dai held a management position in a dairy company for a number of years and has over 20 years of experience in the industry. Mr. Dai served Hunan Ava Nanshan Dairy Products Company Limited* (湖南亞華南山乳品行銷有限公司) ("**Hunan Ava Nanshan Dairy**") as vice factory manager and person in charge of the R&D department of Inner Mongolia Ya Ke Shi Ru Factory* (內蒙古牙克石乳品廠) and was engaged in milk powder R&D works.

Mr. DENG Shenhui ("Mr. Deng")

Mr. Deng, aged 49, is the vice president of the Group in the PRC region and general manager of the Allnutria BU. He joined the Group in 2011. Mr. Deng graduated from Central South University, majoring in computer science. Mr. Deng held positions at multiple foreign computer software consulting companies and has over 10 years of experience in the industry. Mr. Deng served as department manager of the PRC region of the Asia Pacific Sales Services Department at Oracle Corp. Mr. Deng is primarily responsible for the overall operation management of the Allnutria BU.

Ms. Nicolette DIEKEMA ("Ms. Diekema")

Ms. Diekema, aged 53, is the quality assurance director of Ausnutria B.V. She joined the Group since 2020. Ms. Diekema graduated from Wageningen University & Research with a master's degree in food science and technology. Before joining Ausnutria B.V., Ms. Diekema had several years of international experience in the field of quality assurance & quality control in the dairy & food industry. Before joining Ausnutria, Ms. Diekema was the global quality, environment, safety and health manager at CSK Food Enrichment.

Ms. Froukje DIJKSTRA ("Ms. Dijkstra")

Ms. Dijkstra, aged 53, is the chief operations officer of Ausnutria B.V. She joined the Group since April 2012. Ms. Dijkstra graduated in Technical Business Administration at the Noordelijke Hogeschool Leeuwarden. Before joining Ausnutria B.V., Ms. Dijkstra had over 20 years of experience in the chemical industry with different positions, latest at Enitor B.V.

Mr. Wouter ENGBERS ("Mr. Engbers")

Mr. Engbers, aged 52, is the ICT director of Ausnutria B.V. He joined the Group since 2021. Mr. Engbers graduated in Mechanics & Logistics – Operation research and simulation at the Technical University of Delft, and followed several Post-academic in Management and SAP implementations. Before joining Ausnutria B.V., Mr. Engbers had several years of experience in IT, SAP consultant and Logistics related positions.

Dr. Jeroen KIERS ("Dr. Kiers")

Dr. Kiers, aged 49, is the chief executive officer of Ausnutria B.V. He joined the Group since 2019. Dr. Kiers graduated in Medical Biology at the University of Amsterdam, additionally Dr. Kiers graduated with a doctorate degree in Nutrition, Health & Food Technology at Wageningen University in the Netherlands. In his career Dr. Kiers had several research and leading positions within the food & nutrition industry. Before joining Ausnutria, Dr. Kiers had his own company Soundies & JLK Nutrition.

Ms. HONG Haoru ("Ms. Hong")

Ms. Hong, aged 41, is the supervisor of the chief executive office and assistant of the CEO. Ms. Hong joined the Group in 2011 as supervisor of the office of the board of directors of Ausnutria China and was later appointed as secretary of the board of directors of Ausnutria China in January 2016. Prior to joining the Group in 2011, she served as secretary to president at Longping High-tech. Ms. Hong graduated from Hunan Agricultural University with a bachelor of arts degree. Ms. Hong is mainly responsible for assisting the Chairman/chief executive officer in the PRC region in his daily work, and manages the Executive Administrative Center (董秘及行政中心) of Ausnutria China.

Mr. Mark KAPTEIN ("Mr. Kaptein")

Mr. Kaptein, aged 57, is the sales director of Ausnutria B.V. He joined the Group since 2020. Mr. Kaptein graduated from Erasmus University Rotterdam with a master's degree in healthcare management and policy. Before joining Ausnutria B.V., Mr. Kaptein had several years of international experience in Sales and General management positions, latest at Dr. Schar in Italy as business head in Metabolic Nutrition & Allergy Nutrition.

Ms. LI Yimin ("Ms. Li")

Ms. Li, aged 48, is a vice president of the Group in the PRC region and the general manager of the Kabrita BU. She joined the Group in February 2011. Ms. Li graduated from Sichuan University with a master's degree in business administration and held managerial positions at various enterprises. Ms. Li is mainly responsible for coordinating the strategy, business and other overseas market affairs of the Kabrita BU and the goat milk business in the PRC. She is also responsible for the Anulife BU and the collaboration between between its brands and channels in the PRC region.

Mr. LI Wei ("Mr. Li")

Mr. Li, aged 42, is the director of the Group's research institute in the PRC region and is principally responsible for the operation and management of the Group's research institute. He joined the Group in June 2022. Mr. Li graduated from Tianjin University of Science & Technology and had worked for Yashili, Abbott Laboratories and Yili Industrial Group, mainly responsible for research and development and the management thereof. He has extensive experience in the research and development of, as well as quality control over the research and development of, infant formula, milk powder for special medical purposes and blended formula. Prior to joining the Group, he was the deputy director of research and development of the milk powder business unit of Yili Industrial Group.

Mr. LIU Yongqiang

Mr. Liu Yongqiang, aged 46, is the vice president, the PRC region, of the Group and the general manager of a business unit, 海普生物科技有限公司. He joined the Group in September 2022. Mr. Liu Yongqiang graduated from Inner Mongolia University of Technology and had worked in marketing management for, among others, Inner Mongolia Shi Qi Group (內蒙古仕奇集團), Linyi Xincheng Jinluo Rouzhipin Group Company Ltd. (臨沂新程金鑼肉製品集團有限公司) and Yili Industrial. He has extensive experience in the operation and management of fast-moving consumer goods and infant formula.

Mr. LIU Yubiao

Mr. Liu Yubiao, aged 50, is the secretary of the Party Committee and the chairman of the Labour Union of the Group in the PRC region. He joined the Group upon the establishment of Ausnutria China and served as regional manager of the Hunan province, manager of the Central China region (covering five provinces) and deputy executive general manager of the Allnutria BU. Mr. Liu Yubiao has over 17 years of experience in sales management in the dairy industry. He is mainly responsible for the party committee, mass work, administrative and back office affairs as well as the operation and management of 優加商貿公司.

Mr. LIU Xuecong

Mr. Liu Xuecong, aged 39, is a vice president of the Group in the PRC region and the chairman of Bioflag Co., Ltd. and Bioflag (Anhui) Co., Ltd., which are subsidiaries of the Group. He is responsible for the strategic development and planning of the Group's nutrition business segment as well as Bioflag International Corporation, a non-wholly-owned subsidiary of the Company, and the FSMP business, and jointly manages the Nutriunion BU and scientific compliance. He joined the Group in November 2019. Mr. Liu Xuecong graduated from Tianjin Medical University in 2007 and worked at the relevant department of the China Food and Drug Administration, Lee Kum Kee and Frieslandcampina. He has been the general secretary and branch secretary of the China Nutrition and Health Food Association since 2015 and has extensive experience and resources in the nutrition product and health supplement industry.

Ms. Linsey NIJHUIS-PIERIK ("Ms. NIJHUIS-PIERIK")

Ms. Nijhuis-Pierik, aged 34, is the human resource director of Ausnutria B.V. She joined the Group since 1 February 2023. Ms. Nijhuis-Pierik graduated from Twente University Enschede with a master's degree in business administration. Before joining Ausnutria B.V., Ms. Nijhuis-Pierik had several years of experience in HR positions, latest at ForFarmers, an international operating feed company, as global organisation development manager.

Mr. Johan WESTHOFF ("Mr. Westhoff")

Mr. Westhoff, aged 43, is the finance director of Ausnutria B.V. He joined the Group since 2009. Mr. Westhoff graduated in Business Economics at the Chr. Hogeschool Windesheim, and finalised a post-academic education in financial controlling at the University of Amsterdam. Before joining Ausnutria B.V., Mr. Westhoff had several years of experience in finance related positions.

Ms. ZHANG Xueqin ("Ms. Zhang")

Ms. ZHANG, aged 49, is the vice president of the Group in the PRC region and the financial controller of the PRC region, and jointly manages the human resources and financial management departments. She is responsible for the organisational development, human resources management, financial management and other affairs in the PRC region. She joined the Group in December 2017. Ms. Zhang graduated from Changsha University of Science and Technology in 2002 and worked at, among other companies, Changsha Tongcheng Holdings Co.,Ltd., Hualong Nissin Food Products Co., Ltd.* (華龍日清食品有限公司) and Changsha Eya Industrial Co., Ltd., responsible for financial management of listed companies, marketing and finance of joint ventures, retail finance and operation of mother and baby care product businesses, and key account management and total management of infant formula business. She has extensive experience in the operation and management of the mother and baby care and infant formula businesses.

Mr. ZHANG Zhi

Mr. Zhang Zhi, aged 40, is the director of supply chain of the Group in the PRC region responsible for the overall production, supply chain security and quality management in the PRC region. He joined the Group in January 2023. Mr. Zhang Zhi graduated from Inner Mongolia University in 2004 with a bachelor's degree in biotechnology, and is an EMBA student of Tianjin University. Prior to joining the Group, he was the director of supply chain of the international business unit of Yili Industrial. He worked for, among others, the cold beverage business unit and the milk powder business unit of Yili Industrial for a total of 19 years. He has extensive experience in international business, supply chain management and operation management.

Mr. Ren Zhijian ("Mr. Ren")

Mr. Ren, aged 49, is the chief executive officer of the Group in the PRC region. He is responsible for the overall business strategies and operations management of the PRC region. He joined the Group in July 2022. Mr. Ren graduated from the Inner Mongolia University of Finance and Economics* (內蒙古財經學院). Before joining the Group, he was the deputy general manager of the milk powder business department of Yili and served the cold beverage and milk powder business departments of Yili Group for more than 20 years with extensive experience in sales management and operations management.

Mr. Remco ZIELEMAN ("Mr. Zieleman")

Mr. Zieleman, aged 47, is the supply chain director of Ausnutria B.V. He joined the Group since 2018. Mr. Zieleman graduated from Fontys Hogeschool in Venlo with a bachelor's degree in Logistics and Technical Transport. Before joining Ausnutria B.V., Mr. Zieleman had several years of international experience in supply chain positions, latest at Mylan as global planning director.

* *For identification purpose only*

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Ausnutria Dairy Corporation Ltd (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 66 to 171, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Accounting for sales incentive program in Mainland China
- Impairment assessment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for the sales incentive program in Mainland China	
Refer to Note 2.6 and Note 2.22 (Summary of significant accounting policies), Note 4.1 (Significant accounting judgements and estimates), Note 6 (Revenue from contracts with customers) and Note 41 (Restatements) to the Group's consolidated financial statements. As at 31 December 2022, the Group recognised contract liabilities amounting to RMB919 million, which were mainly caused by the sales incentive program in Mainland China. There are a large number of sales contracts with distributors in Mainland China, including various incentives provided to distributors in the form of volume rebates, discounts and other promotion and marketing supports. The consideration received or receivable from the distributors is allocated between the products immediately sold and the incentives for distributors' future redemption. The amount allocated to the incentives is recorded as a contract liability and deferred until the incentives are redeemed. Such allocation involved management consideration of various forms and contract terms of the sales incentive program. We focused on this area because of 1) a large number of distributors' contracts in Mainland China and the different forms of sales incentives, and 2) the material amount of contract liabilities involving complex computation and allocation against sales revenue which requires significant effort in performing the audit.	We understood, evaluated and tested management's controls in respect of the Group's revenue recognition and sales incentive program in Mainland China, and assessed the inherent risk of material misstatement by considering the degree of complexity and level of other inherent risk factors. We tested the general control environment of the Group's information technology systems and the automated controls that were related to the recording of revenue and sales incentives. We conducted the sales contracts review and interviews with certain distributors to confirm the contract terms and policies related to the sales incentive program on a sample basis. We verified the computation and allocation of sales incentives by checking various forms and contract terms of the sales incentive program on a sample basis, and tested the formulae and mathematical accuracy of the calculation. We circularised distributors confirmations on a sample basis on incentive awards as at the balance sheet date. We tested the accuracy and completeness by comparing the incentives amounts accrued as at the balance sheet date with the subsequent settlements on a sample basis. We tested the sales incentives recorded after the balance sheet date on a sample basis to assess whether they were recognised in the correct reporting periods. Based on the work performed, we found that the Group's accounting for the sales incentive program in Mainland China was supported by the evidence that we obtained.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill *Refer to Note 2.20 (Summary of significant accounting policies), Note 4.2 (Significant accounting judgements and estimates) and Note 19 (Goodwill) and Note 7 (Expense by nature) to the Group's consolidated financial statements.* As at 31 December 2022, the net carrying value of goodwill amounted to RMB102 million, and an impairment loss of RMB162 million was recognised in profit and loss for the year then ended. In assessing the recoverable amounts of the Group's cash-generating units ("**CGUs**") that include the goodwill, management determined the value-in-use calculations of these CGUs, being the present value of the future cash flows expected to be derived from these CGUs. Such calculations involved developing assumptions and estimates about the future results of the relevant businesses, including: • revenue growth rates; • gross margin and expenses rates; and • discount rates. We focused on this area because of the significance of the related impact as well as the high degree of uncertainties associated with estimating the future operating performance of these CGUs, including the complexity and subjectivity of management estimates involved in determining the valuations and the appropriateness of the significant assumptions adopted.	We obtained an understanding of the management's internal control and assessment process of the impairment assessment of goodwill, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias in determining the valuations. We compared the current year actual results with the prior year forecast to consider, with hindsight, whether key assumptions included in that forecast had been subject to management bias and to assess the effectiveness of management's estimate process. We assessed management's future cash flow forecasts and the calculation of the value-in-use of each CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing and challenging the key assumptions, including the revenue growth rates, and the gross margin and expenses rates, by comparing them with the historical operating results and future operating plans of the relevant businesses; • assessing the discount rates by reference to external data, including the risk factor of comparable companies and the market risk premium; • assessing and challenging the appropriateness of other key input data by comparing with historical data or future business plans; and • testing the mathematical accuracy of the discounted cash flow calculations. We assessed management's sensitivity analysis to evaluate the assumptions to which the outcomes of the discounted cash flows were more sensitive and the degree to which and likelihood that these assumptions might move to trigger an impairment. We assessed the adequacy of the disclosures related to the impairment assessment of goodwill in the context of IFRSs. Based on the work performed, we found that management's judgements and estimates in connection with the impairment assessment of goodwill were supported by the evidence we obtained.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

(All amount in RMB unless otherwise stated)

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Revenue	6	7,795,512	8,575,157
Cost of sales	7	(4,402,707)	(4,421,787)
Gross profit		3,392,805	4,153,370
Selling and distribution expenses	7	(2,167,165)	(2,412,395)
Administrative expenses	7	(604,217)	(520,095)
Research and development expenses	7	(197,101)	(193,157)
Net impairment losses on financial assets	3.1(b)	(16,133)	(50,629)
Other income, other gains/(losses) – net	9	(133,518)	(23,997)
Operating profit		274,671	953,097
Finance costs	8	(14,943)	(18,754)
Share of profits and losses of investments accounted for using the equity method	22	11,598	(43,692)
Impairment of investments accounted for using the equity method	22	(20,049)	–
Profit before income tax		251,277	890,651
Income tax expense	13	(62,934)	(164,937)
Profit for the year		188,343	725,714
Attributable to:			
The equity holders of the Company		216,526	763,794
Non-controlling interests		(28,183)	(38,080)
		188,343	725,714
Earnings per share attributable to the equity holders of the Company	15		
Basic earnings per share (RMB cents)		12.08	44.47
Diluted earnings per share (RMB cents)		12.08	44.33

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

(All amount in RMB unless otherwise stated)

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Profit for the year		188,343	725,714
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(134,888)	(227,358)
Item that will not be reclassified to profit or loss			
Remeasurement income on the defined benefit plan, net of tax		1,001	1,020
Exchange difference on translation from functional currency to presentation currency		298,331	(75,007)
Total other comprehensive income/(loss) for the year		164,444	(301,345)
Total comprehensive income for the year		352,787	424,369
Attributable to:			
The equity holders of the Company		391,110	460,606
Non-controlling interests		(38,323)	(36,237)
		352,787	424,369

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2022

(All amount in RMB unless otherwise stated)

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000 (restated)	As at 1 January 2021 RMB'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	2,521,841	1,836,332	1,840,357
Investment property	17	116,925	115,821	–
Right-of-use assets	18(a)	271,937	283,812	359,731
Goodwill	19	102,323	258,688	297,541
Other intangible assets	20	472,046	420,979	411,642
Investments accounted for using the equity method	22	364,368	560,993	581,188
Financial assets at fair value through profit or loss	21	28,009	20,000	–
Prepayments, deposits and other assets	25	113,337	121,936	136,992
Deferred tax assets	33	442,857	414,956	327,837
Total non-current assets		4,433,643	4,033,517	3,955,288
Current assets				
Inventories	23	2,226,735	2,179,228	2,400,946
Trade and bills receivables	24	661,903	445,227	456,425
Prepayments, other receivables and other assets	25	442,685	372,228	435,576
Income tax recoverable		37,213	84,876	–
Financial assets at fair value through profit or loss	21	6,808	–	–
Pledged deposits	26	125,248	255,237	212,062
Cash and cash equivalents	26	1,861,860	2,262,188	1,857,516
Total current assets		5,362,452	5,598,984	5,362,525
Total assets		9,796,095	9,632,501	9,317,813
LIABILITIES				
Current liabilities				
Trade and bills payables	27	559,808	405,978	409,247
Other payables and accruals	28	822,555	1,028,975	818,486
Contract liabilities	6	1,036,288	1,593,098	1,778,066
Financial liabilities at fair value through profit or loss	29	–	3	109
Interest-bearing bank loans and other borrowings	30	1,021,632	687,099	479,422
Lease liabilities	18(b)	70,415	52,843	79,551
Income tax payable		89,916	229,144	183,668
Total current liabilities		3,600,614	3,997,140	3,748,549

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

31 December 2022

(All amount in RMB unless otherwise stated)

	Notes	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000 (restated)	As at 1 January 2021 RMB'000 (restated)
Non-current liabilities				
Interest-bearing bank loans and other borrowings	30	443,982	490,471	401,697
Lease liabilities	18(b)	24,407	72,608	125,602
Defined benefit plan	31	1,952	3,039	8,932
Deferred revenue	32	82,064	62,610	65,121
Deferred tax liabilities	33	74,987	72,779	94,520
Other liabilities		3,033	2,743	7,477
Total non-current liabilities		630,425	704,250	703,349
Total liabilities		4,231,039	4,701,390	4,451,898
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	34	156,061	149,485	149,267
Reserves	36	5,490,510	4,828,601	4,738,118
		5,646,571	4,978,086	4,887,385
Non-controlling interests	37	(81,515)	(46,975)	(21,470)
Total equity		5,565,056	4,931,111	4,865,915
Total equity and liabilities		9,796,095	9,632,501	9,317,813

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 66 to 171 were approved by the board of directors on 30 March 2023 and were signed on its behalf by:

Mr. Yan Weibin
Director

Mr. Bartle van der Meer
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(All amount in RMB unless otherwise stated)

	Attributable to the equity holders of the Company										
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Treasury shares RMB'000	Share option reserves RMB'000	Statutory surplus reserves RMB'000	Exchange fluctuation reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2022 (restated)	149,485	2,824,031	(1,835,772)	–	48,081	164,957	(355,503)	3,982,807	4,978,086	(46,975)	4,931,111
Profit for the year	–	–	–	–	–	–	–	216,526	216,526	(28,183)	188,343
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	173,583	–	173,583	(10,140)	163,443
Remeasurement income on the defined benefit plan, net of tax	–	–	–	–	–	–	–	1,001	1,001	–	1,001
Total comprehensive income for the year	–	–	–	–	–	–	173,583	217,527	391,110	(38,323)	352,787
Issues of shares (Note 34)	7,346	731,678	–	–	–	–	–	–	739,024	–	739,024
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	2,905	2,905
Final 2021 dividend declared	–	(430,160)	–	–	–	–	–	–	(430,160)	–	(430,160)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(922)	(922)
Cancellation of equity-settled share option arrangements	–	–	–	–	4,908	–	–	–	4,908	–	4,908
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	1,800	1,800
Repurchase of shares (Note 34)	(770)	(35,627)	–	36,397	–	–	–	–	–	–	–
Cancellation of repurchased shares (Note 34)	–	–	–	(36,397)	–	–	–	–	(36,397)	–	(36,397)
Transfer from retained profits	–	–	–	–	–	11,989	–	(11,989)	–	–	–
As at 31 December 2022	156,061	3,089,922	(1,835,772)	–	52,989	176,946	(181,920)	4,188,345	5,646,571	(81,515)	5,565,056

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

For the year ended 31 December 2022

(All amount in RMB unless otherwise stated)

	Attributable to the equity holders of the Company									
	Share capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	149,267	3,186,678	(1,820,756)	40,541	123,551	(51,295)	3,543,386	5,171,372	(19,432)	5,151,940
Correction of errors (net of tax)	–	–	–	–	–	–	(283,987)	(283,987)	(2,038)	(286,025)
At 1 January 2021 (restated)	149,267	3,186,678	(1,820,756)	40,541	123,551	(51,295)	3,259,399	4,887,385	(21,470)	4,865,915
Profit for the year (restated)	–	–	–	–	–	–	763,794	763,794	(38,080)	725,714
Other comprehensive (loss)/income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(304,208)	–	(304,208)	1,843	(302,365)
Remeasurement income on the defined benefit plan, net of tax	–	–	–	–	–	–	1,020	1,020	–	1,020
Total comprehensive income for the year	–	–	–	–	–	(304,208)	764,814	460,606	(36,237)	424,369
Exercise of share option	218	24,039	–	(3,318)	–	–	–	20,939	–	20,939
Acquisition of non-controlling interests	–	–	(15,016)	–	–	–	–	(15,016)	4,392	(10,624)
Final 2020 dividend declared	–	(386,686)	–	–	–	–	–	(386,686)	–	(386,686)
Equity-settled share option arrangements	–	–	–	10,858	–	–	–	10,858	–	10,858
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	6,340	6,340
Transfer from retained profits	–	–	–	–	41,406	–	(41,406)	–	–	–
As at 31 December 2021 (restated)	149,485	2,824,031	(1,835,772)	48,081	164,957	(355,503)	3,982,807	4,978,086	(46,975)	4,931,111

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(All amount in RMB unless otherwise stated)

	Notes	2022 RMB'000	2021 RMB'000
Net cash flows (used in)/generated from operating activities	38(a)	(357,537)	1,071,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(571,513)	(442,315)
Additions to other intangible assets		(133,030)	(114,076)
Purchases of financial assets at fair value through profit and loss	21	(8,009)	–
Investment in associates	22	(28,407)	(7,000)
Proceeds from disposal of items of property, plant and equipment		11,475	–
Proceeds from disposal of a subsidiary		5,500	–
Increase in pledged time deposits		–	(43,175)
Net cash flows used in investing activities		(723,984)	(606,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares			
– upon issue of new shares		739,024	–
– upon exercise of share option		–	20,939
New bank loans and other borrowings		847,081	1,021,873
Repayments of bank loans		(528,784)	(616,210)
Principal portion of lease payments	38(d)	(57,507)	(68,244)
Acquisition of non-controlling interests		–	(10,624)
Contributions from non-controlling shareholders		1,800	6,340
Repurchase of shares		(36,397)	–
Dividends paid to the equity holders of the Company		(430,176)	(388,161)
Dividends paid to non-controlling shareholders		(922)	–
Decrease in pledged time deposits		129,989	–
Net cash flows generated from/(used in) financing activities		664,108	(34,087)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(417,413)	430,666
Cash and cash equivalents at beginning of year	26	2,262,188	1,857,516
Effect of foreign exchange rate changes, net		17,085	(25,994)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,861,860	2,262,188
Cash and bank balances	26	1,833,510	2,253,860
Non-pledged time deposits with original maturity of less than three months when acquired		28,350	8,328
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows		1,861,860	2,262,188

The notes on pages 73 to 171 are an integral part of these consolidated financial statements.

1 CORPORATE INFORMATION

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

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

In the opinion of the directors, upon final closing of the mandatory conditional cash offer on 17 March 2022, the parent and the ultimate holding company of the Company is Hongkong Jingang Trade Holding Co., Limited and Inner Mongolia Yili Industrial Group Co., Ltd ("**Yili Industrial**"), respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Compliance with IFRSs and HKCO

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

2.1.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.3 New and amended standards adopted by the Group

The following amended standards and interpretations have been adopted by the Group for the first time to the financial reporting periods commencing on or after 1 January 2022:

		Effective for accounting periods beginning on or after
IAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRS 2018-2020		1 January 2022
IFRS 3 (Amendments)	Reference to the conceptual framework	1 January 2022

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.

2.1.4 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 31 December 2022 reporting periods 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 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
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
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.3).

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(iv) Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(v) Changes in ownership interests

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

(iii) Group companies

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

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

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

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

2.6 Revenue recognition

(i) Revenue from contracts with customers

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

Sales of goods

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Sales of goods (continued)

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

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

Sales incentive program

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

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

Rendering services

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

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

2.7 Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to land use rights and property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.9 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Current and deferred income tax (continued)

(iii) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases where the Group is a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Lease of building, machinery and motor vehicles

The Group leases building, machinery and motor vehicles as a lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

Leases where the Group is a lessee (continued)

(i) *Lease of building, machinery and motor vehicles (continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate are initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

The Group's right-of-use assets consist of up-front the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

Building and machinery	3 to 7 years
Motor vehicles	2 to 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Leases (continued)

Leases where the Group is a lessee (continued)

(ii) Leasehold land

Leasehold land refers to land use rights of the Group's subsidiaries in Mainland China. The cost of land use rights comprises the payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted.

Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms of 25 to 50 years as stated in the relevant land use right certificates granted for usage by the Group in the Mainland China or the best estimate based on the normal terms in the Mainland China and is charged to the consolidated statement of profit or loss.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Leases where the Group is a lessor

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the statement of financial position based on their nature.

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 24 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.14 Inventories

Inventories mainly include raw materials, goods in transit, work in progress and finished goods, and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivative are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in other income, other gains/(losses)-net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income, other gains/(losses)-net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses)-net. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses)-net, and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses)-net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income, other gains and losses – net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses)-net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Investments and other financial assets(continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at a amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables and other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.16 Derivative financial instruments

(a) Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of interest rate swaps are determined using the rates quoted by the Group's bankers to terminate the contracts.

Any gains or losses arising from changes in fair value of derivative are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Derivative financial instruments (continued)

(b) Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivative that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non– current portions only if a reliable allocation can be made.

2.17 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.18 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Property, plant and equipment (continued)

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

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

2.19 Investment properties

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life of 20 to 40 years.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is separately disclosed. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) Non-patent technology and licence

Acquired non-patent technology is capitalised on a basis of the costs incurred to acquire and bring to use the specific technology. The licence acquired in a business combination is recognised at fair value at the acquisition date. Non-patent technology and the licence are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

(iii) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five to ten years.

(iv) Software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five to ten years.

(v) Milk collection right

Milk collection right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of ten years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Intangible assets (continued)

(vi) Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

(vii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over the expected lives of 8 years for the customer relationships.

2.21 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income, other gains/(losses)-net or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.24 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.25 Provisions

Provisions for legal claims, and warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service benefit, annual leave and other long-term benefit that are not expected to be settled wholly within 12 months after the end of the period. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(iii) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

Defined contribution plan

Most of the Group's subsidiaries in the Netherlands operate the defined contribution pension plan for certain of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the pension plan. The assets of the defined contribution pension plan are held separately from those of the Group in an independently administered fund. The Group's employer contribution rests fully with the employees when contributed into the defined contribution pension plan.

The Group's subsidiaries in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries in the Australia and New Zealand operate a defined contribution Superannuation Fund retirement benefit scheme (the "**SF Scheme**") under the Superannuation Fund Schemes for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the SF Scheme. The assets of the SF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contribution vest fully with the employees when contributed into the SF Scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits (continued)

(iii) Post-employment obligations (continued)

Defined contribution plan (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the relevant authorities of the provinces or the local municipal governments in Mainland China in which the Group's subsidiaries are located. Contributions are made based on a percentage of the companies' payroll costs and are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Defined benefit plan

One of the Group's subsidiaries in the Netherlands operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

(iv) Housing funds, medical insurances and other social insurances

The employees of the Group's subsidiaries which operate in Mainland China are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits (continued)

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.27 Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 35 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.28 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.29 Dividends distribution

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the Note 14 to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.30 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to the equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

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

The Group also enters into derivative transactions, including principally interest rate caps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivative are set out in Note 2.16 to the consolidated financial statements.

3.1 Financial risk factors

(a) Market risk

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank loans and other borrowings with a floating interest rate.

The Group manages its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate cap contract with a notional amount of EUR32,000,000 (2021: EUR40,000,000) with 3-month floating EURIBOR being capped at an interest rate of zero per annum and an interest rate cap contract with a notional amount of EUR150,000,000 (2021: Nil) with 3-month floating EURIBOR being capped at an interest rate of 3% per annum. As at 31 December 2022, after taking into account of the effect of the interest rate cap, approximately 85.7% (2021: 42.9%) of the Group's interest-bearing borrowings bore interest at floating rates.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2022		
EUR	100	(6,607)
EUR	(100)	6,607
2021		
EUR	100	(5,051)
EUR	(100)	5,051

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) *Market risk (continued)*

(ii) *Foreign currency risk*

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

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
United States Dollars ("**USD**")	15	–
Australian Dollars ("**AUD**")	(15,878)	–
EUR	(14,354)	(38,569)

As at 31 December 2022, if RMB had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2022 would have been decreased/increased by approximately RMB1,511,000 (2021: decreased/increased by approximately RMB1,928,000).

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
USD	2,435	8,042
HKD	25	171
RMB	15	108

As at 31 December 2022, if EUR had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2022 would have been increased/decreased by approximately RMB124,000 (2021: increase/decrease by approximately RMB416,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
RMB	53,707	12,290
EUR	(1,033)	18,061
AUD	(258)	17,887
Taiwan Dollars ("**TWD**")	–	10,800

In the opinion of the directors, USD is reasonably stable under the Linked Exchange Rate System with HKD and the transactions denominated in HKD are not significant. Accordingly, the Company does not have any significant foreign exchange risk from HKD dominated transactions and no sensitivity analysis is performed.

As at 31 December 2022, if HKD had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2022 would have been increased/decreased by approximately RMB2,621,000 (2021: increase/decrease by approximately RMB2,952,000).

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

	31 December 2022 Cash and cash equivalents RMB'000	31 December 2021 Cash and cash equivalents RMB'000
USD	1,129	4,907

As at 31 December 2022, if AUD had weakened/strengthened by 5% against foreign currencies with all other variables held constant, the Group's profit before tax for the year ended 31 December 2022 would have been increased/decreased by approximately RMB56,000 (2021: increase/decrease by approximately RMB245,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) *Credit risk*

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

Credit risk of cash and cash equivalents

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

Credit risk of trade and bills receivables

The Group has trade and bills receivables for provision of sales of goods subject to the expected credit loss model on adoption of IFRS 9.

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

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

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit risk of trade and bills receivables (continued)

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade and bills receivables:

31 December 2022	Within 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	Over one year RMB'000	Total RMB'000
Expected loss rate	0.2%	0.5%	5.5%	47.2%	3.4%
Gross carrying amount – trade receivables (Note 24)	529,118	52,222	20,798	40,876	643,014
Loss allowance	1,215	284	1,147	19,304	21,950

31 December 2021 (restated)	Within 90 days RMB'000	91 to 180 days RMB'000	181 to 365 days RMB'000	Over one year RMB'000	Total RMB'000
Expected loss rate	0.1%	0.5%	5.5%	67.4%	12.1%
Gross carrying amount – trade receivables (Note 24)	342,530	34,853	14,040	83,298	474,721
Loss allowance	173	190	774	56,174	57,311

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Credit risk of other receivables

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

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

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

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;

- actual or expected significant changes in the operating results of the third party;

- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

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

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

As at 31 December 2022 and 2021, the loss allowance for trade receivables, other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2021 (restated)	8,572	–	8,572
Increase in loss allowance recognised in the consolidated statement of profit or loss during the year	50,629	–	50,629
Receivables written off during the year as uncollectible	(348)	–	(348)
Exchange realignment	(1,542)	–	(1,542)
Closing loss allowance as at 31 December 2021 (restated)	57,311	–	57,311
Increase in loss allowance recognised in the consolidated statement of profit or loss during the year	15,908	225	16,133
Receivables written off during the year as uncollectible	(53,799)	–	(53,799)
Exchange realignment	2,530	–	2,530
Closing loss allowance as at 31 December 2022	21,950	225	22,175

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

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

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

	2022				
	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	73,091	17,665	8,632	99,388
Interest-bearing bank loans and other borrowings	642,714	385,535	459,442	–	1,487,691
Trade and bills payables (Note 27)	483,656	72,802	3,005	345	559,808
Financial liabilities included in other payables and accruals (Note 28)	430,521	168,740	20,984	–	620,245
Total	1,556,891	700,168	501,096	8,977	2,767,132

	2021				
	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	54,586	75,647	1,833	132,066
Interest-bearing bank loans and other borrowings	506,832	184,059	493,449	–	1,184,340
Trade and bills payables (Note 27)	385,291	18,607	2,080	–	405,978
Financial liabilities included in other payables and accruals (Note 28)	409,551	236,174	11,479	–	657,204
Financial liabilities at fair value through profit and loss (Note 29)	3	–	–	–	3
Total	1,301,677	493,426	582,899	1,833	2,379,591

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

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

	2022 RMB'000	2021 RMB'000 (restated)
Interest-bearing bank loans and other borrowings (Note 30)	(1,465,614)	(1,177,570)
Add: Lease liabilities (Note 18)	(94,822)	(125,451)
Less: Pledged deposits (Note 26)	125,248	255,237
Cash and cash equivalents (Note 26)	1,861,860	2,262,188
Surplus cash	426,672	1,214,404
Total assets	9,796,095	9,632,501
Gearing ratio	N/A	N/A

For the year ended 31 December 2022

(All amount in RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

(i) Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVPL (Note 21)	–	6,808	28,009	34,817

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at FVPL (Note 21)	–	–	20,000	20,000
Financial liabilities at FVPL (Note 29)	–	(3)	–	(3)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

The following methods and assumptions were used to estimate the fair values:

- The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 was assessed to be insignificant.

- The fair value of interest rate caps is determined using the market rate provided by the banks at the balance sheet date.

- The fair values of other financial instruments (investments in unlisted companies) are determined using market approach and binomial tree pricing model.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2022 and 31 December 2021:

	Equity investment at fair value through profit or loss RMB'000	Total RMB'000
Opening balance as at 1 January 2021	20,000	20,000
Gains recognised in other comprehensive income	–	–
Closing balance as at 31 December 2021	20,000	20,000
Acquisitions	8,009	8,009
Gains recognised in discontinued operations*	–	–
Gains/(losses) recognised in other income*	–	–
Closing balance 31 December 2022	28,009	28,009

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

2022	–	–
2021	–	–

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

4.1 Sales incentives

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

4.2 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2022 was RMB102,323,000 (2021: RMB258,688,000). The carrying amount of certain business cash-generating unit exceeded its recoverable amount as of 31 December 2022, and a goodwill impairment charge of RMB162,011,000 (2021: RMB14,468,000) was recorded in the consolidated financial statements of 2022 based on the results of the goodwill impairment test. Further details are included in Note 19.

4.3 Provision for expected credit losses on trade receivables

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

4.4 Net realisable value of inventories

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

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

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

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances. The depreciation provided for the year ended 31 December 2022 was RMB146,239,000 (2021: RMB167,024,000). Further details are included in Note 16.

4.7 Useful lives of other intangible assets

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

4.8 Deferred tax assets

Deferred tax assets are mainly recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2022 was RMB138,314,000 (2021: RMB83,367,000). The amount of unrecognised tax losses as at 31 December 2022 was RMB490,491,000 (2021: RMB248,584,000). Further details are contained in Note 33 to the consolidated financial statements.

5 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 2022 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 and other bank deposits and pledged deposits as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans and other borrowings 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 2022			
Segment revenue (Note 6)			
Sales to external customers	7,662,551	132,961	7,795,512
Intersegment sales	–	–	–
	7,662,551	132,961	7,795,512
Reconciliation:			
Elimination of intersegment sales	–	–	–
Revenue from operations	7,662,551	132,961	7,795,512
Rental income (Note 9)	3,282	–	3,282
Segment results	404,799	(141,738)	263,061
Reconciliation:			
Interest income (Note 9)			38,193
Finance costs (other than interest on lease liabilities) (Note 8)			(11,661)
Corporate and other unallocated expenses			(41,598)
Profit before tax			251,277

5 OPERATING SEGMENT INFORMATION (continued)

	Dairy and related products RMB'000	Nutrition products RMB'000	Total RMB'000
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
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 (Note 22)	19,937	(8,339)	11,598
Investments accounted for using the equity method (Note 22)	176,089	188,279	364,368
Depreciation and amortisation	243,573	12,901	256,474
Capital expenditure*	697,519	7,024	704,543

5 OPERATING SEGMENT INFORMATION (continued)

	Dairy and related products RMB'000 (restated)	Nutrition products RMB'000	Total RMB'000 (restated)
Year ended 31 December 2021			
Segment revenue (Note 6)			
Sales to external customers	8,398,028	177,129	8,575,157
Intersegment sales	–	–	–
	8,398,028	177,129	8,575,157
Reconciliation:			
Elimination of intersegment sales	–	–	–
Revenue from operations	8,398,028	177,129	8,575,157
Rental income (Note 9)	1,314	–	1,314
Segment results	949,268	(39,020)	910,248
Reconciliation:			
Interest income (Note 9)			28,099
Finance costs (other than interest on lease liabilities) (Note 8)			(13,416)
Corporate and other unallocated expenses			(35,594)
Profit before tax			890,651

5 OPERATING SEGMENT INFORMATION (continued)

	Dairy and related products RMB'000 (restated)	Nutrition products RMB'000	Total RMB'000 (restated)
As at 31 December 2021			
Segment assets	7,014,429	426,068	7,440,497
Reconciliation:			
Elimination of intersegment receivables			(325,421)
Corporate and other unallocated assets			2,517,425
Total assets			9,632,501
Segment liabilities	3,466,708	382,533	3,849,241
Reconciliation:			
Elimination of intersegment payables			(325,421)
Corporate and other unallocated liabilities			1,177,570
Total liabilities			4,701,390
Other segment information			
Impairment losses recognised in profit or loss	334,630	14,554	349,184
Share of profits and losses of investments accounted for using the equity method (Note 22)	(33,997)	(9,695)	(43,692)
Investments accounted for using the equity method (Note 22)	364,374	196,619	560,993
Depreciation and amortisation	263,422	13,629	277,051
Capital expenditure*	553,707	2,684	556,391

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

5 OPERATING SEGMENT INFORMATION (continued)

(a) Non-current assets

	2022 RMB'000	2021 RMB'000 (restated)
The PRC	1,197,189	1,141,436
The Netherlands	2,555,553	2,034,078
New Zealand	127,700	136,343
Australia	110,344	306,704
	3,990,786	3,618,561

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

(b) 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 (2021: Nil).

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000 (restated)
Revenue from contracts with customers	7,795,512	8,575,157

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(a) Disaggregated revenue information

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

Segments

	For the year ended 31 December 2022		
	Dairy and related products RMB'000	Nutrition products RMB'000	Total 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
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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(a) Disaggregated revenue information (continued)

Segments

	For the year ended 31 December 2021		
	Dairy and related products RMB'000 (restated)	Nutrition products RMB'000	Total RMB'000 (restated)
Type of goods or services			
Sale of goods	8,398,028	177,129	8,575,157
Total revenue from contracts with customers	8,398,028	177,129	8,575,157
Geographical markets			
The PRC	7,334,069	171,064	7,505,133
European Union	658,474	–	658,474
North and South America	161,364	–	161,364
Middle East	112,361	–	112,361
Southeast Asia	57,093	–	57,093
Australia	17,293	6,065	23,358
New Zealand	311	–	311
Others	57,063	–	57,063
Total revenue from contracts with customers	8,398,028	177,129	8,575,157
Timing of revenue recognition			
At a point in time	8,398,028	177,129	8,575,157
Total revenue from contracts with customers	8,398,028	177,129	8,575,157

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract balances

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Contract liabilities	1,036,288	1,593,098

Contract liabilities include consideration received from customers in advance and the fair value of award points and incentives not yet redeemed.

(c) Details of contract liabilities are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Short-term advances received from customers for the sale of goods	117,643	296,132
Deferred income	918,645	1,296,966
Total contract liabilities	1,036,288	1,593,098

Set out below is the amount of revenue recognised from:

	2022 RMB'000	2021 RMB'000 (restated)
Amounts included in contract liabilities at the beginning of the year	1,593,098	1,778,066

Significant changes in contract liabilities

Contract liabilities for customer contracts have decreased by RMB556,810,000 due to the reduction of sales and the Group's policy to request its customers and distributors to redeem more of their corresponding incentives during the year.

(d) Performance obligations

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

Sales of goods

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

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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(d) Performance obligations (continued)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Within one year	918,645	1,296,966

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

7 EXPENSE BY NATURE

	Notes	2022 RMB'000	2021 RMB'000 (restated)
Raw materials, packaging materials, consumables and purchased commodity used		3,278,221	3,324,066
Changes in inventories of finished goods	23	(22,630)	(8,586)
Employee benefit expenses, including directors' emoluments	(i)	1,481,025	1,485,494
Promotion and advertising expenses		1,207,261	1,285,012
Write down of inventories to net realisable value		224,302	284,087
Transportation expenses		177,476	165,007
Depreciation of property, plant and equipment	16	146,239	167,024
Travel and entertainment expenses		132,459	158,258
Laboratory expenses		106,245	112,734
Office expenses		95,659	98,564
Consulting expenses		91,433	79,781
Sampling expenses		91,385	84,907
Repair and maintenance expenses		68,390	50,385
Amortisation of other intangible assets	20	66,873	57,275
Depreciation of right-of-use assets	18	39,594	51,440
Impairment of other intangible assets	20	20,734	–
Short-term rental expenses	18	17,567	8,852
Auditors' remunerations			
– Audit and other assurance services		13,820	9,180
Impairment of property, plant and equipment	16	5,199	–
Depreciation of investment property	17	3,768	1,312
Others		126,170	132,642
		7,371,190	7,547,434

7 EXPENSE BY NATURE (continued)

(i) Employee benefit expenses (including directors' remuneration) (Note 10)

	2022 RMB'000	2021 RMB'000
Wages, salaries and staff expenses	938,327	1,004,157
Temporary staff costs	302,634	261,016
Other employee related expenses	157,898	135,143
Equity-settled share option expense	–	10,858
Cancellation of equity-settled share option arrangements (Note 35)	4,908	–
Pension scheme contributions*	77,258	74,320
Total employee benefit expense	1,481,025	1,485,494

* Forfeited contributions may not be used by the Group to reduce the existing level of contributions. As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

8 FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans, overdrafts and other loans	18,472	13,516
Interest on lease liabilities	3,282	5,338
Total interest expense on financial liabilities not at fair value through profit or loss	21,754	18,854
Unrealised gain on interest rate caps (Note 29)	(6,811)	(100)
	14,943	18,754

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

	Notes	2022 RMB'000	2021 RMB'000
Other income			
Interest income		38,193	28,099
Government grants (a)		27,546	40,673
Rental income	18	3,282	1,314
		69,021	70,086
Other gains/(losses) – net			
Gain on disposal of a subsidiary		1,949	–
Impairment of goodwill		(162,011)	(14,468)
Charitable donations		(11,680)	(22,283)
Foreign exchange losses, net		(9,501)	(12,728)
Provision for a customer claim (b)		–	(34,250)
Others		(21,296)	(10,354)
		(202,539)	(94,083)
Total other income, other gains/(losses) – net		(133,518)	(23,997)

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

(b) The Group has filed a legal proceeding in the Netherlands against a former customer. This claim led to a counter claim from this customer. Based on the Company's assessment after evaluating the situation and the information available to-date, a provision for this claim of RMB34,250,000 is recognised in 2021. There was no further information obtained for the year ended 2022.

10 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 RMB'000	2021 RMB'000
Fees	2,311	2,406
Other emoluments:		
Salaries, allowances and benefits in kind	4,968	4,989
Equity-settled share option expense*	–	2,037
Pension scheme contributions	114	131
	5,082	7,157
	7,393	9,563

* On 17 March 2022, all outstanding options were lapsed/cancelled including RMB1,033,000 to directors. The cancellation of the share options was treated as an acceleration of vesting. There were no share options granted during the year ended 31 December 2022.

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

Executive directors, non-executive directors and independent non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Yan Weibin	258	1,798	–	57	2,113
Bartle van der Meer	258	1,665	–	–	1,923
Ng Siu Hung	258	1,505	–	57	1,820
	774	4,968	–	114	5,856
Non-executive directors:					
Shi Liang	54	–	–	–	54
Tsai Chang Hai	54	–	–	–	54
Qiao Baijun	78	–	–	–	78
Zhang Zhanqiang*	204	–	–	–	204
Sun Donghong*	204	–	–	–	204
Zhang Lingqi**	181	–	–	–	181
	775	–	–	–	775
Independent non-executive directors:					
Aidan Maurice Coleman	301	–	–	–	301
Jason Wan	91	–	–	–	91
Lau Chun Fai Douglas	104	–	–	–	104
Ma Ji**	241	–	–	–	241
Song Kungang***	25	–	–	–	25
Ren Fazheng****	–	–	–	–	–
	762	–	–	–	762
	2,311	4,968	–	114	7,393

* appointed on 18 March 2022
** appointed on 20 April 2022
*** appointed on 2 December 2022
**** appointed on 20 April 2022 and resigned on 2 December 2022

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

Executive directors, non-executive directors and independent non-executive directors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Yan Weibin	249	2,013	407	58	2,727
Bartle van der Meer	249	1,605	407	–	2,261
Ng Siu Hung	249	1,371	407	73	2,100
	747	4,989	1,221	131	7,088
Non-executive directors:					
Shi Liang*	249	–	136	–	385
Qiao Baijun**	249	–	136	–	385
Tsai Chang Hai*	249	–	136	–	385
	747	–	408	–	1,155
Independent non-executive directors:					
Aidan Maurice Coleman	290	–	136	–	426
Jason Wan**	290	–	136	–	426
Lau Chun Fai Douglas**	332	–	136	–	468
	912	–	408	–	1,320
	2,406	4,989	2,037	131	9,563

* resigned on 18 March 2022
** resigned on 20 April 2022

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

11 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include one (2021: one) directors, details of whose remuneration are set out in Note 10 above. Details of the remuneration for the year of the remaining four (2021: four) non-director highest paid employees of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	17,034	10,578
Equity-settled share option expense	–	841
Pension scheme contributions	143	254
	17,177	11,673

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

	Number of employees	
	2022	2021
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	–
HK$3,000,001 to HK$3,500,000	1	2
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$4,500,000	–	1
HK$11,500,001 to HK$12,000,000	1	–
	4	4

There were no share options granted during the year ended 31 December 2022 (2021: Nil).

12 SUBSIDIARIES

Name	Place of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Spring Choice Limited	British Virgin Islands	USD200	100	–	Investment holding
Ausnutria Dairy Company Limited	Hong Kong	HKD1	–	100	Investment holding and the provision of financing services to the Group
Ausnutria Australia Dairy Pty Ltd	Australia	AUD500,000	–	100	Investment holding
Ausnutria Dairy (China) Co., Ltd. ("**Ausnutria China**") (1)	Mainland China	RMB168,633,832	–	100	Production, marketing and distribution of dairy and related products in Mainland China
Ausnutria Dairy (Dutch) Cooperatief U.A	The Netherlands	EUR13,800,000	–	100	Investment holding
Ausnutria B.V.	The Netherlands	EUR10,465,000	–	100	Investment holding
Ausnutria Kampen B.V.	The Netherlands	EUR21,500	–	100	Manufacturing of dairy and related products
Lypack Leeuwarden B.V.	The Netherlands	EUR18,151	–	100	Processing and packaging of dairy and related products
Ausnutria Heerenveen Hector B.V.	The Netherlands	EUR1,000	–	100	Processing and packaging of dairy and related products
Ausnutria Heerenveen Pluto B.V.	The Netherlands	EUR1,000	–	100	Processing and packaging of dairy and related products
Ausnutria Nutrition B.V.	The Netherlands	EUR18,000	–	100	Marketing and distribution of goat milk nutrition products
Hyproca Nutrition (Hongkong) Company Limited	Hong Kong	HKD1,000,000	–	100	Marketing and distribution of goat milk nutrition products in Hong Kong and Mainland China
Hyproca Nutrition Company Limited ("**HNC**") (1)	Mainland China	RMB10,000,000	–	100	Marketing and distribution of dairy products in Mainland China

12 SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ausnutria Private Label B.V.	The Netherlands	EUR30,403	–	100	Marketing and distribution of dairy products under a private label
Ausnutria Dairy Ingredients B.V.	The Netherlands	EUR18,200	–	100	Marketing and distribution of dairy and related products
Holland Goat Milk B.V.	The Netherlands	EUR12,953	–	100	Collection of goat milk in the Netherlands
Ausnutria Nutrition Europe B.V.	The Netherlands	EUR18,000	–	100	Marketing and distribution of dairy products in Europe
Hyproca Nutrition East Limited	Hong Kong	HKD4,000,000	–	51	Marketing and distribution of dairy products
Hyproca Nutrition ME Trading LLC	Dubai	AED300,000	–	100	Marketing and distribution of dairy products in the Middle East
Hyproca Nutrition USA Inc.	United States of America	USD1	–	100	Marketing and distribution of dairy products in the United States
Hyproca Nutrition Canada Inc.	Canada	CAD100	–	100	Marketing and distribution of dairy products in Canada
Hyproca Bio-Science (Hong Kong) Company Limited	Hong Kong	HKD50,000,000	–	100	Marketing and distribution of dairy products in Hong Kong
Hyproca Bio-Science Co. Ltd. (1)	Mainland China	RMB10,000,000	–	100	Marketing and distribution of dairy products in Mainland China
Allnutria Bio-Science Co. Ltd. (1)	Mainland China	RMB50,000,000	–	85	Marketing and distribution of dairy products in Mainland China
Puredo Health Service (Changsha) Co. Ltd (1)	Mainland China	RMB20,000,000	–	100	Marketing and distribution of dairy products in Mainland China

12 SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Changsha AnEr Nutrition Co. Ltd. (1)	Mainland China	RMB86,458,140	–	100	Marketing and distribution of dairy products in Mainland China
Ausnutria Pty Ltd	Australia	AUD56,428,571	–	100	Investment holding
ADP Holdings (Australia) Pty Ltd ("**ADP**")	Australia	AUD14,002,000	–	100	Investment holding
Australian Dairy Park Pty Ltd	Australia	AUD14,000,000	–	100	Manufacturing and distribution of dairy and related products
Nutrition Care Pharmaceuticals Pty Ltd	Australia	AUD44,000,000	–	100	Manufacturing and distribution of nutrition products
Ozfarm Royal Pty Ltd ("**Ozfarm**")	Australia	AUD3,000,100	–	100	Marketing and distribution of dairy and related products in Australia
Aunulife Pty Ltd	Australia	AUD250,000	–	100	Development, distribution and sale of probiotic products
Pure Nutrition Ltd.	New Zealand	NZD7,500,000	–	60	Manufacturing and distribution of dairy and related products
Nutriunion (Hong Kong) Company Ltd	Hong Kong	HKD100	–	100	Marketing and distribution of nutrition products in Mainland China and Hong Kong
Nutriunion (Guangzhou) Interconnection Technology Co. Ltd. (1)	Mainland China	RMB50,000,000	–	100	Marketing and distribution of nutrition products in Mainland China
Aunulife Bio-Science Co. Ltd. ("**Aunulife**") (1) (2)	Mainland China	RMB50,000,000	–	70	Marketing and distribution of nutrition products in Mainland China

(1) These companies are registered as companies with limited liability under PRC law.

(2) In March 2022 Ausnutria China injected capital of RMB7,000,000 into Aunulife. The Company holds 70% share of Aunulife indirectly.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

13 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 China and HNC were designated as High-tech Enterprises and were granted a preferential CIT rate of 15% up to the year ended 31 December 2022.

Under the Netherlands income tax laws, enterprises are subject to the Netherlands CIT rate of 15% (2021: 15%) for the first EUR395,000 (2021: EUR245,000) taxable profits and 25.8% (2021: 25%) for taxable profits exceeding EUR395,000 (2021: EUR245,000). Ausnutria B.V. and its subsidiaries (the "**Ausnutria B.V. Group**") has been granted a preferential tax benefit in April 2021 for the assessable profits generated in the Netherlands which covers the period from 2018 to 2024 for the recognition of Ausnutria B.V. Group's contribution on research and development in the past years. The preferential tax 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 (2021: 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%.

	2022 RMB'000	2021 RMB'000 (restated)
Current tax		
Mainland China current CIT	48,669	275,537
Overseas current CIT	36,940	(1,252)
	85,609	274,285
Deferred tax		
Mainland China deferred income tax	(48,583)	(97,444)
Overseas deferred income tax	25,908	(11,904)
	(22,675)	(109,348)
Total tax charge for the year	62,934	164,937

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:

13 INCOME TAX (continued)

	2022 RMB'000	2021 RMB'000 (restated)
Profit before tax	251,277	890,651
Income tax at the statutory income tax rate	61,581	245,362
Tax effects on preferential tax rates	(74,041)	(132,336)
Income not subject to tax	(17,713)	(21,510)
Non-deductible items and others, net	55,470	14,746
Profits and losses attributable to associates and joint ventures	2,516	10,581
Additional deduction of research and development expenses	(25,119)	(23,203)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	27,789	31,536
Utilisation of previously unrecognised tax losses	(5,644)	–
Reversal of previously recognised tax loss	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	22,492	30,780
Adjustments for current tax of previous periods	2,878	6,214
Effect on opening deferred tax due to disposal of subsidiaries	–	2,767
Tax charge at the Group's effective rate	62,934	164,937

14 DIVIDENDS

	2022 RMB'000	2021 RMB'000
Proposed final dividend – HK$0.06 (2021: HK$0.28) per ordinary share	96,479	393,423

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

The dividends paid by the Company in 2022 and 2021 for the years ended 31 December 2021 and 2020 amounted to approximately RMB430,176,000 and RMB388,161,000 respectively.

A dividend in respect of the year ended 31 December 2022 of HK$0.06 per share, amounting to a total dividend of RMB96,479,000 was proposed by the directors on the board of directors meeting held on 30 March 2023 and is to be proposed for approval at the annual general meeting to be held on 30 May 2023. These consolidated financial statements do not reflect this dividend payable.

15 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 1,792,267,948 (2021: 1,717,549,709) 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

	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	216,526	763,794

Shares

	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	1,792,267,948	1,717,549,709
Effect of dilution – weighted average number of ordinary shares: share options	–	5,441,539
	1,792,267,948	1,722,991,248
Basic		
– For profit for the year (RMB cents)	12.08	44.47
Diluted		
– For profit for the year (RMB cents)	12.08	44.33

16 PROPERTY, PLANT AND EQUIPMENT

	Land and building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
As at 1 January 2022:							
Cost	1,108,242	484,213	17,755	251,148	75,489	486,509	2,423,356
Accumulated depreciation and impairment	(253,726)	(260,822)	(11,026)	(31,700)	(29,750)	–	(587,024)
Net carrying amount	854,516	223,391	6,729	219,448	45,739	486,509	1,836,332
As at 1 January 2022, net of accumulated depreciation and impairment	854,516	223,391	6,729	219,448	45,739	486,509	1,836,332
Additions	68,203	82,035	2,623	8,332	144	408,471	569,808
Disposals	(4,933)	(2,469)	(622)	(951)	(2,536)	–	(11,511)
Depreciation provided during the year (Note 7)	(65,987)	(59,994)	(4,841)	(9,114)	(6,303)	–	(146,239)
Impairment during the year (Note 7, 19)	–	(5,071)	–	(128)	–	–	(5,199)
Transferred from construction in progress	18,437	70,521	–	2,715	5,865	(97,538)	–
Transferred from investment in an associate (Note 22)	223,007	–	–	–	–	–	223,007
Exchange realignment	20,246	6,483	121	2,654	22	26,117	55,643
As at 31 December 2022, net of accumulated depreciation and impairment	1,113,489	314,896	4,010	222,956	42,931	823,559	2,521,841
As at 31 December 2022							
Cost	1,436,742	643,525	21,283	266,409	79,337	823,559	3,270,855
Accumulated depreciation and impairment	(323,253)	(328,629)	(17,273)	(43,453)	(36,406)	–	(749,014)
Net carrying amount	1,113,489	314,896	4,010	222,956	42,931	823,559	2,521,841

16 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
As at 1 January 2021:							
Cost	1,202,026	469,381	15,478	263,839	60,717	302,048	2,313,489
Accumulated depreciation and impairment	(213,255)	(198,602)	(7,396)	(29,528)	(24,351)	–	(473,132)
Net carrying amount	988,771	270,779	8,082	234,311	36,366	302,048	1,840,357
As at 1 January 2021, net of accumulated depreciation and impairment	988,771	270,779	8,082	234,311	36,366	302,048	1,840,357
Additions	9,779	45,988	3,819	7,061	17,012	358,656	442,315
Disposals	(993)	(417)	(49)	(384)	(747)	–	(2,590)
Depreciation provided during the year (Note 7)	(63,961)	(84,840)	(4,775)	(6,597)	(6,851)	–	(167,024)
Transferred from construction in progress	4,320	10,014	–	4	–	(14,338)	–
Transfer to investment property (Note 17)	(3,974)	–	–	–	–	(119,437)	(123,411)
Exchange realignment	(79,426)	(18,133)	(348)	(14,947)	(41)	(40,420)	(153,315)
As at 31 December 2021, net of accumulated depreciation and impairment	854,516	223,391	6,729	219,448	45,739	486,509	1,836,332
As at 31 December 2021							
Cost	1,108,242	484,213	17,755	251,148	75,489	486,509	2,423,356
Accumulated depreciation and impairment	(253,726)	(260,822)	(11,026)	(31,700)	(29,750)	–	(587,024)
Net carrying amount	854,516	223,391	6,729	219,448	45,739	486,509	1,836,332

As at 31 December 2022, the Group has pledged property, plants and equipment including land and building, plant and machinery, motor vehicles and office equipment in the Netherlands that were attributed to the Ausnutria B.V. Group with a net carrying amount of EUR122,706,000 (equivalent to approximately RMB910,834,000) (2021: EUR108,806,000, equivalent to approximately RMB785,548,000) for the banking facilities granted to the Group to finance the Group's daily working capital and capital expenditure plans (Note 30(b)).

As at 31 December 2022, the Group has pledged land and buildings in New Zealand with a net carrying amount of NZD6,000,000 (equivalent to approximately RMB26,497,000) (2021: NZD6,000,000, equivalent to approximately RMB26,132,000) for the other loans from non-controlling shareholder of a subsidiary (Note 30(c)).

The Group's land included in property, plant and equipment with net carrying amounts of EUR7,117,000 (equivalent to approximately RMB52,831,000) (2021: EUR7,117,000, equivalent to approximately RMB51,383,000), AUD6,620,000 (equivalent to approximately RMB31,205,000) (2021: AUD5,854,000, equivalent to approximately RMB27,057,000) and NZD3,000,000 (equivalent to approximately RMB13,249,000) (2021: NZD3,000,000, equivalent to approximately RMB13,066,000) situated in the Netherlands, Australia and New Zealand, respectively, is held as freehold land.

17 INVESTMENT PROPERTY

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	115,821	–
Transfer from property, plant and equipment (Note 16)	–	123,411
Addition	1,705	–
Depreciation provided during the year	(3,768)	(1,312)
Exchange realignment	3,167	(6,278)
Carrying amount at 31 December	116,925	115,821

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

As at 31 December 2022, the Group has pledged the investment property in the Netherlands that were attributed to the Ausnutria B.V. Group with a net carrying amount of EUR15,752,000 (equivalent to approximately RMB116,925,000) (2021: EUR16,042,000, equivalent to approximately RMB115,821,000) for the banking facilities granted to the Group to finance the Group's daily working capital and capital expenditure plans (Note 30(b)).

As at 31 December 2022, the Group's land included in investment property with net carrying amount of EUR522,000 (equivalent to approximately RMB3,875,000) (2021: EUR522,000, equivalent to approximately RMB3,769,000) situated in the Netherlands, is held as freehold land.

The fair value of the investment property as at 31 December 2022 was RMB139,449,000 (2021: RMB153,148,000).

For rental income, refer to Note 18.

18 LEASES

The Group as a lessee

The Group has lease contracts for building, machinery and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 35 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of building and machinery generally have lease terms between 3 and 7 years, while motor vehicles generally have lease terms between 2 and 5 years.

(a) *Right-of-use assets*

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

	Leasehold land RMB'000	Building and machinery RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2021	87,824	249,129	22,778	359,731
Additions	–	10,651	4,624	15,275
Depreciation charge (Note 7)	(3,179)	(45,775)	(2,486)	(51,440)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(19,405)	–	(19,405)
Exchange realignment	–	(18,266)	(2,083)	(20,349)
As at 31 December 2021 and 1 January 2022	84,645	176,334	22,833	283,812
Additions	–	21,206	2,367	23,573
Depreciation charge (Note 7)	(2,388)	(34,532)	(2,674)	(39,594)
Exchange realignment	–	3,629	517	4,146
As at 31 December 2022	82,257	166,637	23,043	271,937

18 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	125,451	205,153
New leases	23,573	15,275
Accretion of interest recognised during the year	3,282	5,338
Payments	(60,789)	(68,244)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(15,889)
Exchange realignment	3,305	(16,182)
Carrying amount as at 31 December	94,822	125,451
Analysed into:		
Current portion	70,415	52,843
Non-current portion	24,407	72,608
	94,822	125,451

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

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (Note 8)	3,282	5,338
Depreciation charge for right-of-use assets (Note 7)	39,594	51,440
Expense relating to short-term leases (Note 7)	17,567	8,852
Total amount recognised in profit or loss	60,443	65,630

(d) The total cash outflow for leases is disclosed in Note 38(d) to the consolidated financial statements.

The Group as a lessor

The Group leases its investment property (Note 17) consisting of a factory building in the Netherlands under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,282,000 (2021: RMB1,314,000) (Note 9).

18 LEASES (continued)

The Group as a lessor (continued)

As at 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within one year	3,196	3,249
After one year but within five years	12,783	12,995
After five years	3,196	6,498
	19,175	22,742

19 GOODWILL

	RMB'000
As at 1 January 2021:	
Cost	297,541
Accumulated impairment	–
Net carrying amount	297,541
Cost as at 1 January 2021, net of accumulated impairment	297,541
Impairment during the year (Note 7)	(14,468)
Exchange realignment	(24,385)
Cost and net carrying amount as at 31 December 2021	258,688
As at 31 December 2021:	
Cost	273,156
Accumulated impairment	(14,468)
Net carrying amount	258,688
Cost as at 1 January 2022, net of accumulated impairment	258,688
Impairment during the year (Note 7)	(162,011)
Exchange realignment	5,646
Cost and net carrying amount as at 31 December 2022	102,323
As at 31 December 2022:	
Cost	278,475
Accumulated impairment	(176,152)
Net carrying amount	102,323

19 GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the product cash-generating units ("CGU") for impairment testing:

Dairy and related products segment:

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

Nutrition products segment:

- Nutrition business CGU.

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

CGU

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Ausnutria B.V.*	75,381	73,317
Nutrition business	8,900	42,224
Youluck*	2,584	2,631
ADP*	11,146	10,929
Ozfarm	4,312	129,587
	102,323	258,688

* The change mainly contains the foreign exchange difference.

Management has determined the values assigned to each of the key assumptions as follows:

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

19 GOODWILL (continued)

Impairment testing of goodwill (continued)

The following table sets forth each key assumption adopted by the management in its cash flow projections to undertake impairment testing of goodwill as at 31 December 2022:

	Ausnutria B.V. CGU	Nutrition business CGU	Youluck CGU	ADP CGU	Ozfarm CGU
Compound annual growth rate of revenue during the projection period	14.2%	18.8%	5.0%	15.2%	13.4%
Gross margin (% of revenue)	15.4%	62.0%	38.5%	9.8%	30.3%
Expense rate (% of revenue)	9.4%	50.4%	28.7%	4.5%	19.6%
Long-term growth rate	2.5%	2.5%	1.5%	2.5%	2.5%
Pre-tax discount rate	14.4%	15.6%	15.1%	19.6%	18.4%

As at 31 December 2022, recoverable amount of RMB2,463,959,000 of Ausnutria B.V. CGU based on value in use ("**VIU**") calculation exceeded its carrying value by RMB249,330,000.

Recoverable amount of RMB49,596,000 by nutrition business CGU based on VIU calculation lower than its carrying value by RMB34,162,000. The directors of the Company were of the opinion that the investments in nutrition business CGU was impaired, considering its persistently below-target financial position due to the ongoing impact of the epidemic and the high inflation effect in Australia. Accordingly, during the year of 2022, an impairment charge of RMB34,162,000 (2021: RMB14,468,000) was recognised based on the above impairment assessment. And an impairment charge of RMB20,734,000 on intangible assets (Note 20), an impairment charge of RMB5,199,000 on property, plant and equipment (Note 16) was also recognised based on the above impairment assessment.

Recoverable amount of RMB9,774,000 of Youluck CGU based on VIU calculation exceeded its carrying value by RMB2,371,000.

Recoverable amount of RMB148,595,000 of ADP CGU based on VIU calculation exceeded its carrying value by RMB19,521,000.

Recoverable amount of RMB33,104,000 of Ozfarm CGU based on VIU calculation lower than its carrying value by RMB127,847,000. The directors of the Company were of the opinion that the investments in Ozfarm CGU was impaired, considering the below-target financial position due to the cease cooperation with an e-commerce platform the uncertainty of obtaining the corresponding formula registration in Mainland China. Accordingly, during the year of 2022, an impairment charge of RMB127,847,000 was recognised based on the above impairment assessment.

19 GOODWILL (continued)

Management has undertaken sensitivity analysis on the impairment test of goodwill.

If the gross margin used in the value in use calculation for the Ausnutria B.V. CGU had been 14.4% lower than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount. If the discount rate had been 3.7% higher than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount. If the long-term growth rate had been 28.5% lower than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount.

If the gross margin used in the value in use calculation for the Ausnutria ADP CGU had been 21.5% lower than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount. If the discount rate had been 9.4% higher than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount. If the long-term growth rate had been 94.4% lower than management's estimates at 31 December 2022, the Group would have had to recognise an impairment against the carrying amount.

As for Youluck CGU, the directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Youluck CGUs to exceed its recoverable amount.

During the year of 2021, the recoverable amount of the Ausnutria B.V. CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 14.0%. The growth rate used to extrapolate the cash flows of the Ausnutria B.V. unit beyond the five-year period was 3%.

During the year of 2021, the recoverable amount of the nutrition business CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15.5%. The growth rate used to extrapolate the cash flows of the nutrition business unit beyond the five-year period was 3%. The carrying amount of the nutrition business CGU exceeded its recoverable amount as of 31 December 2021, and a goodwill impairment loss of RMB14,468,000 (Note 9), which it is calculated based on results of the goodwill impairment test, was recognised in profit or loss during the year.

During the year of 2021, the recoverable amount of the Youluck CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 17.5%. The growth rate used to extrapolate the cash flows of the Youluck unit beyond the five-year period was 3%.

During the year of 2021, the recoverable amount of the ADP CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 21.9%. The growth rate used to extrapolate the cash flows of the ADP unit beyond the five-year period was 3%.

During the year of 2021, the recoverable amount of the Ozfarm CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 17.6%. The growth rate used to extrapolate the cash flows of the Ozfarm unit beyond the five-year period was 3%.

20 OTHER INTANGIBLE ASSETS

	Non-patent technology and licence RMB'000	Trademarks RMB'000	Software RMB'000	Milk collection right RMB'000	Others RMB'000	Total RMB'000
31 December 2022						
Cost as at 1 January 2022, net of accumulated amortisation and impairment	142,128	113,276	152,216	3,394	9,965	420,979
Additions	12,622	1,473	30,998	83,980	3,957	133,030
Disposal	–	(33)	(5,824)	–	–	(5,857)
Amortisation provided during the year (Note 7)	(18,883)	(20,854)	(15,985)	(9,628)	(1,523)	(66,873)
Impairment during the year (Note 7, 19)	–	(13,727)	(7,007)	–	–	(20,734)
Exchange realignment	3,663	2,200	3,857	1,232	549	11,501
As at 31 December 2022	139,530	82,335	158,255	78,978	12,948	472,046
As at 31 December 2022:						
Cost	250,823	167,978	236,661	108,951	21,070	785,483
Accumulated amortisation and impairment	(111,293)	(85,643)	(78,406)	(29,973)	(8,122)	(313,437)
Net carrying amount	139,530	82,335	158,255	78,978	12,948	472,046

	Non-patent technology and licence RMB'000	Trademarks RMB'000	Software RMB'000	Milk collection right RMB'000	Others RMB'000	Total RMB'000
31 December 2021						
Cost as at 1 January 2021, net of accumulated amortisation and impairment	172,677	95,243	128,425	5,317	9,980	411,642
Additions	1,944	60,993	49,149	–	1,990	114,076
Disposal	–	(16,808)	(12)	–	–	(16,820)
Amortisation provided during the year (Note 7)	(20,264)	(17,293)	(16,835)	(1,465)	(1,418)	(57,275)
Exchange realignment	(12,229)	(8,859)	(8,511)	(458)	(587)	(30,644)
As at 31 December 2021	142,128	113,276	152,216	3,394	9,965	420,979
As at 31 December 2021:						
Cost	241,166	166,995	209,150	24,039	16,886	658,236
Accumulated amortisation and impairment	(99,038)	(53,719)	(56,934)	(20,645)	(6,921)	(237,257)
Net carrying amount	142,128	113,276	152,216	3,394	9,965	420,979

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at FVPL:

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

As at 31 December 2022, financial assets at FVPL comprised the following investments:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Nanjing Fenyuhe Enterprise Management Co., Ltd.	20,000	20,000
MAKUKU Ltd.	8,009	–
Interest rate caps (Note 29)	6,808	–
	34,817	20,000

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Share of net assets	364,368	338,004
Goodwill on acquisitions*	–	20,382
	364,368	358,386
Loan to an associate	–	202,607
	364,368	560,993

	2022 RMB'000	2021 RMB'000 (restated)
As at 1 January	560,993	581,188
Capital injection in associates	28,407	7,000
Loan to an associate	–	32,714
Share of profit/(loss) of associates	11,598	(43,692)
Exchange realignment	6,426	(16,217)
Impairment of an joint venture*	(20,049)	–
Transferred to property, plant and equipment (Note 16)	(223,007)	–
As at 31 December	364,368	560,993

* The balance as at 31 December 2021 represented goodwill on acquisition of AJM B.V. which is fully impaired during the year due to its continuous under performance.

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Set out below are the associates and joint ventures of the Group as at 31 December 2022 and 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2022	2021			2022	2021
		%	%			RMB'000	RMB'000
Farmel Holding B.V.	The Netherlands	50.0	50.0	Joint venture[(1)]	Equity method	106,555	51,357
Bioflag International Corporation	Cayman Islands	27.5	26.1	Associate[(2)]	Equity method	106,361	196,619
Bioflag Nutrition Corporation Ltd.	Cayman Islands	27.5	–	Associate[(2)]	Equity method	81,918	–
Hunan Nutrition Port Property Development Co., Ltd.	Mainland China	51.0	51.0	Associate[(3)]	Equity method	–	223,007
CCIC Europe Food Test B.V. Heerenveen	The Netherlands	40.0	40.0	Associate	Equity method	24,980	23,821
Hangzhou Investment Management Partnership	Mainland China	42.7	42.7	Associate	Equity method	34,557	34,794
Bella Belle (Hainan) Import and Export Trading Co. Ltd.	Mainland China	35.0	35.0	Associate	Equity method	3,684	5,792
AJM B.V.	The Netherlands	50.0	50.0	Joint venture	Equity method	3,813	25,603
Inner Mongolia Yiqi Technology Co., Ltd.*	Mainland China	5.0	–	Associate	Equity method	2,500	–
Dairy protein Cooperation Food BV	The Netherlands	45.0	45.0	Joint venture	Equity method	–	–
Folo Holding BV	The Netherlands	50.0	50.0	Joint venture	Equity method	–	–
						364,368	560,993

* Through the shareholder agreement, the Group is guaranteed one seat on the board of Inner Mongolia Yiqi Technology Co., Ltd. and participates in all significant financial and operating decisions. The Group has therefore determined that it has significant influence over this entity, even though it only holds 5% of the voting rights.

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

(2) Bioflag International Corporation and Bioflag Nutrition Corporation Ltd. ("**Bioflag Group**") is principally engaged in the research and development, manufacturing and sale of probiotics and fermentation-related products.

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(3) Hunan Nutrition Port Property Development Co., Ltd. ("**HQ Development Company**") is principally engaged in the development and management of real estate. In 2018, the Group entered an agreement with an independent property developer for the investment in the HQ Development Company, to facilitate the development of new headquarter of the Mainland China region. Pursuant to the agreement, the risk and reward has been transferred to the Group and thus the Group obtained the control over the new headquarter. All previous cost of the investment amounted to RMB223,007,000 was transferred to property, plant and equipment.

(i) Material associates and joint ventures

Summarised financial information for associates and joint ventures

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

Summarised statement of financial position	Farmel Group As at 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	987,082	851,848
Non-current assets	143,788	123,355
Current liabilities	(871,732)	(826,203)
Non-current liabilities	(46,029)	(46,286)
Net assets	213,109	102,714
Reconciliation to carrying amounts:		
Opening net assets at 1 January	102,714	187,535
Investment from the equity holders	56,815	–
Profit/(loss) for the year	45,184	(80,997)
Exchange realignment	8,396	(3,824)
Closing net assets	213,109	102,714
Group's share in %	50.0	50.0
Group's share in the investee	106,555	51,357
Carrying amount	106,555	51,357

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(i) Material associates and joint ventures (continued)

Summarised financial information for associates and joint ventures (continued)

Summarised statement of comprehensive income	Farmel Group	
	2022 RMB'000	2021 RMB'000
Revenue	3,686,315	3,476,368
Interest income	10,375	12,495
Interest expense	(19,617)	(9,648)
Income tax expense	(10,304)	1,208
Profit/(loss) from continuing operations	45,184	(80,997)
Profit/(loss) for the year	45,184	(80,997)
Total comprehensive income	45,184	(80,997)

Summarised statement of financial position	Bioflag International Corporation As at 31 December	
	2022 RMB'000	2021 RMB'000
Current assets	71,963	176,178
Non-current assets	452,668	677,904
Current liabilities	(86,879)	(98,316)
Non-current liabilities	(52,097)	(2,436)
Net assets	385,655	753,330
Reconciliation to carrying amounts:		
Opening net assets at 1 January	753,330	815,972
Capital decrease due to business restructuring*	(310,691)	–
Loss for the period	(21,770)	(37,160)
Exchange realignment	(35,214)	(25,482)
Closing net assets	385,655	753,330
Group's share in %	27.5	26.1
Group's share in the investee	106,361	196,619
Carrying amount	106,361	196,619

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(i) Material associates and joint ventures (continued)

Summarised financial information for associates and joint ventures (continued)

Summarised statement of comprehensive income	Bioflag International Corporation 2022 RMB'000	Bioflag International Corporation 2021 RMB'000
Revenue	142,924	188,825
Interest income	197	281
Interest expense	(1,357)	(860)
Income tax expense	–	405
Loss from continuing operations	(21,770)	(37,160)
Loss for the period	(21,770)	(37,160)
Total comprehensive income	(21,770)	(37,160)

Summarised statement of financial position	Bioflag Nutrition Corporation Ltd. As at 31 December 2022 RMB'000
Current assets	78,264
Non-current assets	273,690
Current liabilities	(52,958)
Non-current liabilities	(1,112)
Net assets	297,884
Reconciliation to carrying amounts:	
Opening net assets at 1 January	–
Investment from owners from business restructuring*	310,691
Loss for the period	(8,657)
Exchange realignment	(4,150)
Closing net assets	297,884
Group's share in %	27.5
Group's share in the investee	81,918
Carrying amount	81,918

* In December 2022, Bioflag International Corporation entered into a business restructuring plan and was split into two legal entities with the new entity of Bioflag Nutrition Corporation Ltd. incorporated. There was no change of the Company's shareholding in these two entities.

22 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(i) Material associates and joint ventures (continued)

Summarised financial information for associates and joint ventures (continued)

Summarised statement of comprehensive income	Bioflag Nutrition Corporation Ltd. 2022 RMB'000
Revenue	43,324
Interest income	39
Interest expense	(218)
Income tax expense	320
Loss from continuing operations	(8,657)
Loss for the period	(8,657)
Total comprehensive income	(8,657)

(ii) Individually immaterial associates

In addition to the interests in material associates and joint ventures disclosed above, the Group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method.

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial associates	69,534	110,410
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(2,626)	6,505
Other comprehensive income	–	–
Total comprehensive income	(2,626)	6,505

23 INVENTORIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Raw materials	708,280	766,655
Finished goods	1,337,648	1,315,018
Goods in transit	406,346	242,047
Others	18,926	27,394
	2,471,200	2,351,114
Less: Provision for decline in value	(244,465)	(171,886)
	2,226,735	2,179,228

As at 31 December 2022, certain of the Group's inventories that were attributed to the Ausnutria B.V. Group with a net carrying amount of EUR132,964,000 (equivalent to approximately RMB986,976,000) (2021: EUR179,038,000, equivalent to approximately RMB1,292,599,000) were pledged to secure general banking facilities granted to the Ausnutria B.V. Group (Note 30(b)).

24 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Trade receivables from third parties	470,931	385,074
Trade receivables from related parties (Note 42(b))	172,083	89,647
	643,014	474,721
Bills receivables	40,839	27,817
Less: Provision for impairment of trade receivables	(21,950)	(57,311)
	661,903	445,227

The Group normally allows a credit period from 1 to 6 months (2021: 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 aging analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000 (restated)
Within 3 months	529,118	342,530
3 to 6 months	52,222	34,853
6 months to 1 year	20,798	14,040
Over 1 year	40,876	83,298
	643,014	474,721

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

As at 31 December 2022, certain of the Group's trade receivables that were attributed to the Ausnutria B.V. Group with a net carrying amount of EUR12,022,000 (equivalent to approximately RMB89,237,000) (2021: EUR10,157,000, equivalent to approximately RMB73,332,000) were pledged to secure general banking facilities granted to the Ausnutria B.V. Group (Note 30(b)).

25 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments, other receivables and other assets from related parties (Note 42(b))	1,485	1,444
Prepayments and deposits	384,988	421,118
Interest income receivable	4,199	6,720
Other tax recoverable	152,481	51,394
Others	13,094	13,488
Impairment of other receivables	(225)	–
	556,022	494,164
Classified as non-current:		
Prepayments, deposits and other assets	(113,337)	(121,936)
	442,685	372,228

As at 31 December 2022, a provision of RMB225,000 was recognised on other receivables. The financial assets included in the above balances relate to entities which have no recent history of default.

26 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and bank balances	1,833,510	2,253,860
Time deposits	153,598	263,565
	1,987,108	2,517,425
Less: Pledged deposits for bank loans and overdrafts and other restricted cash (Note 30(b))	(125,248)	(255,237)
Cash and cash equivalents	1,861,860	2,262,188

26 CASH AND CASH EQUIVALENTS (continued)

As at 31 December 2022 and 2021, total of cash at bank and on hand were denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	1,543,795	1,926,164
HKD	93,429	31,771
USD	40,674	31,193
EUR	2,985	118,559
Others	180,977	154,501
	1,861,860	2,262,188

As at 31 December 2022 and 2021, total of pledged deposits for bank loans and overdrafts and other restricted cash were denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	123,486	253,250
EUR	768	747
Others	994	1,240
	125,248	255,237

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

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

27 TRADE AND BILLS PAYABLES

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	
	2022 RMB'000	2021 RMB'000
Within 12 months	556,458	403,898
Over 12 months	3,350	2,080
	559,808	405,978

Included in the trade and bills payables are amounts due to associates of EUR2,841,000 (equivalent to approximately RMB25,615,000) (2021: EUR3,167,000, equivalent to approximately RMB22,865,000) (Note 42(b)), which are repayable within 60 days.

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

28 OTHER PAYABLES AND ACCRUALS

		As at 31 December	
	Notes	2022 RMB'000	2021 RMB'000
Deposits		46,843	50,152
Accrued salaries and welfare		157,437	216,535
Other tax payables		44,873	155,236
Other payables	(a)	218,367	240,974
Accrued promotion and advertising expenses		290,547	291,478
Other accruals		64,488	74,600
		822,555	1,028,975

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

29 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2022		As at 31 December 2021	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Interest rate caps	6,808	–	–	(3)

The Ausnutria B.V. Group has entered into an interest rate cap contract to manage its interest rate exposures. The interest rate cap was measured at fair value through profit or loss. A net fair value gain on the interest rate cap amounting to RMB6,811,000 (2021: RMB100,000) was recognised in profit or loss during the year.

30 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	As at 31 December 2022			As at 31 December 2021		
	Annual effective interest rate (%)	Maturity	RMB'000	Annual effective interest rate (%)	Maturity	RMB'000
Current:						
Bank overdrafts – secured (a) (b)	3-month EURIBOR + 1-1.35	2023	637,244	3-month EURIBOR + 1.35-1.70	2022	433,183
Bank loans – secured (b)	12-month LIBOR +1.2	2023	25,980	3-month EURIBOR + 1.35-1.70	2022	71,247
Bank loans – secured (b)	2.47-4.79	2023	1,121	–	–	–
Bank loans – secured (b)	3-month EURIBOR +0.2 per annum	2023	178,150	0.2-2.3	2022	157,234
Bank loans – unsecured	3.3-3.5	2023	152,000	–	–	–
Other loans – secured* (c)	4.22	2023	25,791	4.22	2022	25,435
Other loans – unsecured* (c)	3-month EURIBOR + 3.0	2023	1,346	–	–	–
			1,021,632			687,099
Non-current:						
Bank loans – secured (b)	3-month EURIBOR + 1-1.35	2026	443,982	3-month EURIBOR + 1.35-1.70	2026	288,111
Bank loans – secured (b)	–	–	–	0.2-4.79	2023	201,051
Other loans – secured* (c)	–	–	–	3-month EURIBOR +3.0	2023	1,309
			443,982			490,471
			1,465,614			1,177,570

* Loans from non-controlling shareholder of a subsidiary.

30 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans, overdrafts and other loans repayable:		
Within one year or on demand	1,021,632	687,099
In the second year	–	202,360
In the third to fifth years, inclusive	443,982	288,111
	1,465,614	1,177,570

The carrying amounts and fair values of the Group's interest-bearing bank loans and other borrowings are as follows:

	Carrying amounts		Fair value	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Interest-bearing bank loans and other borrowings	1,465,614	1,177,570	1,487,691	1,184,340

The fair values of the Group's interest-bearing bank loans and other borrowings are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(a) The Group's bank overdrafts and revolving facilities that were attributed to the Ausnutria B.V. Group amounting to EUR150,000,000 (equivalent to approximately RMB1,113,435,000) (2021: EUR100,000,000, equivalent to approximately RMB721,970,000), and EUR85,998,000 (equivalent to approximately RMB637,244,000) (2021: EUR60,000,000, equivalent to approximately RMB433,183,000) of the bank overdrafts had been utilised as at 31 December 2022, with a certain pledge of the Group's assets.

(b) Certain of the Group's bank loans and overdraft facilities are secured by:

(i) mortgages over the Ausnutria B.V. Group's property, plants and equipment including land and building, plant and machinery, motor vehicles and office equipment with a net carrying amount of EUR122,706,000 (equivalent to approximately RMB910,834,000) (2021: EUR108,806,000, equivalent to approximately RMB785,548,000) (Note 16);

(ii) mortgages over the Ausnutria B.V. Group's investment property situated in the Netherlands, which had an aggregate carrying value at the end of the reporting period of EUR15,752,000 (equivalent to approximately RMB116,925,000) (2021: EUR16,042,000, equivalent to approximately RMB115,821,000);

(iii) pledges of the Ausnutria B.V. Group's inventories, which had an aggregate carrying value at the end of the reporting period of EUR132,964,000 (equivalent to approximately RMB986,976,000) (2021: EUR179,038,000, equivalent to approximately RMB1,292,599,000);

30 INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

(b) (continued)

(iv) pledges of the Ausnutria B.V. Group's trade receivables, which had an aggregate carrying value at the end of the reporting period of EUR12,022,000 (equivalent to approximately RMB89,237,000) (2021: EUR10,157,000, equivalent to approximately RMB73,332,000);

(v) pledges of certain of the Group's time deposits amounting to RMB123,598,000 (2021: RMB255,237,000).

(c) Other loans from non-controlling shareholder of a subsidiary of the Group are secured by

(i) mortgages over the Pure Nutrition Ltd.'s land and buildings situated in the New Zealand, which had an aggregate carrying value as at 31 December 2022 of NZD6,000,000 (equivalent to approximately RMB26,497,000) (2021: NZD6,000,000, equivalent to approximately RMB26,132,000).

31 DEFINED BENEFIT PLAN

Ausnutria Ommen B.V. operates an unfunded defined benefit plan for all its qualifying employees. Under the plan, the employees are entitled to retirement benefits at rates varying from 0% to 70% of their final salaries on attainment of a retirement age of 67 (2021: age of 67).

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

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

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

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

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligations were carried out on 31 December 2022 by the appraiser, using the projected unit credit actuarial valuation method.

31 DEFINED BENEFIT PLAN (continued)

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

	As at 31 December 2022	2021
Discount rate (%)	3.80	1.20
Expected rate of future pension cost increases (%)	1.20	1.20
Expected rate of salary increases (%)	1.25	1.25
Indexation post activities (%)	0.00	0.00

The actuarial valuation showed that the market value of plan assets was RMB21,074,000 (2021: RMB30,959,000) and that the actuarial value of these assets represented 91.5% (2021: 91.1%) of the benefits that had been accrued to qualifying employees. The deficiency of RMB1,952,000 (2021: RMB3,039,000) is expected to be cleared over the remaining life expectancy (based on unconditional future indexations for active and post-active participants).

2022

	Increase in rate %	Increase/ (decrease) in defined benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in defined benefit obligations RMB'000
Discount rate	0.25	(774)	0.25	817

2021

	Increase in rate %	Increase/ (decrease) in defined benefit obligations RMB'000	Decrease in rate %	Increase/ (decrease) in defined benefit obligations RMB'000
Discount rate	0.25	(1,538)	0.25	1,653

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

31 DEFINED BENEFIT PLAN (continued)

The total expenses recognised in profit or loss in respect of the plan are as follows:

	2022 RMB'000	2021 RMB'000
Current service cost	–	–
Past service cost	–	(2,192)
Interest cost	192	556
Net benefit expenses	192	(1,636)
Recognised in cost of sales	192	(1,636)
	192	(1,636)

The movements in the present value of the defined benefit obligations are as follows:

	2022 RMB'000	2021 RMB'000
As at 1 January	33,998	47,316
Past service cost	–	(2,192)
Interest cost	(10,802)	(4,095)
Benefit paid	(611)	(2,748)
Exchange differences	441	(4,283)
As at 31 December	23,026	33,998

31 DEFINED BENEFIT PLAN (continued)

The movements in the defined benefit obligations and the fair value of plan assets are as follows:

2022

	Pension cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income								
	As at 1 January 2022 RMB'000	Service cost RMB'000	Additional charges RMB'000	Net interest expense RMB'000	Sub-total included in profit or loss RMB'000	Benefit paid RMB'000	Return on plan assets (excluding amounts included in net interest expense) RMB'000	Actuarial changes arising from changes in demographic assumptions RMB'000	Actuarial changes arising from changes in financial assumptions RMB'000	Experience adjustments RMB'000	Sub-total included in other comprehensive income RMB'000	Contribution by the employer RMB'000	Foreign exchange difference RMB'000	As at 31 December 2022 RMB'000
Defined benefit obligations	(33,998)	–	–	(391)	(391)	611	–	(227)	11,555	(135)	11,193	–	(441)	(23,026)
Fair value of plan assets	30,959	–	(170)	–	(170)	(611)	369	213	(10,745)	341	(10,192)	312	407	21,074
Benefit liabilities	(3,039)	–	(170)	(391)	(561)	–	369	(14)	810	206	1,001	312	(34)	(1,952)

2021

	Pension cost charged to profit or loss					Remeasurement gains/(losses) in other comprehensive income								
	As at 1 January 2021 RMB'000	Service cost RMB'000	Additional charges RMB'000	Net interest expense RMB'000	Sub-total included in profit or loss RMB'000	Benefit paid RMB'000	Return on plan assets (excluding amounts included in net interest expense) RMB'000	Actuarial changes arising from changes in demographic assumptions RMB'000	Actuarial changes arising from changes in financial assumptions RMB'000	Experience adjustments RMB'000	Sub-total included in other comprehensive income RMB'000	Contribution by the employer RMB'000	Foreign exchange difference RMB'000	As at 31 December 2021 RMB'000
Defined benefit obligations	(47,316)	2,192	–	(259)	1,933	2,748	–	–	4,392	(38)	4,354	–	4,283	(33,998)
Fair value of plan assets	38,384	–	(525)	–	(525)	(2,748)	228	–	(4,027)	693	(3,334)	2,611	(3,657)	30,959
Benefit liabilities	(8,932)	2,192	(525)	(259)	1,408	–	228	–	365	655	1,020	2,611	626	(3,039)

The fair value of the total plan assets as at 31 December 2022 was RMB21,074,000 (2021: RMB30,959,000).

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within the next 12 months	1,381	1,393
Between 1 and 5 years	6,725	5,804
Between 5 and 10 years	6,940	6,317
Total expected contributions	15,046	13,514

The average duration of the defined benefit obligations at the end of the reporting period was 14.0 (2021: 19.2) years.

32 DEFERRED REVENUE

On 22 May 2018, the Company purchased two plots of land in Changsha city, Hunan province, for the building of the headquarters of the Group in Mainland China region (the "**PRC Headquarters**"). In order to support the long term growth of the Group, Ausnutria China received government grants as financial subsidies to support the development. The Group received RMB31,305,000, RMB31,305,000 and RMB15,652,000 in 2018, 2019 and 2022 respectively.

Such government grants received are treated as deferred revenue as at the end of the reporting period and are to be amortised and recognised as other income, other gains and (losses) – net over the expected useful life of the PRC Headquarters of the Group.

33 DEFERRED TAX

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

Deferred tax liabilities

2022

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Milk collection right RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2022	837	49,170	666	22,106	72,779
Deferred tax charged/(credited) to profit or loss during the year (Note 13)	1,450	(15,885)	(342)	14,872	95
Exchange realignment	(122)	2,216	20	–	2,214
Gross deferred tax liabilities as at 31 December 2022	2,165	35,501	343	36,978	74,987

2021

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Milk collection right RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2021	(2,593)	66,874	1,114	29,125	94,520
Deferred tax credited to profit or loss during the year (Note 13)	(427)	(9,813)	(353)	(7,019)	(17,612)
Exchange realignment	3,857	(7,891)	(95)	–	(4,129)
Gross deferred tax liabilities as at 31 December 2021	837	49,170	666	22,106	72,779

33 DEFERRED TAX (continued)

Deferred tax assets

2022

	Defined benefit plan RMB'000	Losses available for offsetting against future taxable income RMB'000	Provision against inventories RMB'000	Deductible temporary differences RMB'000	Deferred income RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	729	83,367	7,799	10,512	270,173	42,376	414,956
Deferred tax credited/(charged) to profit or loss during the year (Note 13)	(269)	50,884	4,963	1,798	(40,927)	6,320	22,769
Exchange realignment	9	4,063	–	–	–	1,060	5,132
Gross deferred tax assets as at 31 December 2022	469	138,314	12,762	12,310	229,246	49,756	442,857

2021 (restated)

	Defined benefit plan RMB'000	Losses available for offsetting against future taxable income RMB'000	Provision against inventories RMB'000	Deductible temporary differences RMB'000	Deferred income RMB'000 (restated)	Others RMB'000	Total RMB'000 (restated)
As at 1 January 2021	2,233	86,182	8,700	10,512	179,305	40,905	327,837
Deferred tax credited/(charged) to profit or loss during the year (Note 13)	(1,349)	757	(901)	–	90,868	2,361	91,736
Exchange realignment	(155)	(3,572)	–	–	–	(899)	(4,617)
Gross deferred tax assets as at 31 December 2021	729	83,367	7,799	10,512	270,173	42,376	414,956

Management expects that it is probable that taxable profits will be available against which the above tax losses and deductible temporary differences can be utilised in the coming years.

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of tax losses of RMB490,491,000 (2021: RMB248,584,000) that are available for offsetting against future taxable profits, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

33 DEFERRED TAX (continued)

Deferred tax assets (continued)

Pursuant to Mainland China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% (2021: 5%). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2022, the Group has not recognised deferred tax liabilities of RMB239,706,000 (2021: RMB215,144,000) in respect of temporary differences relating to the unremitted earnings of subsidiaries, amounting to RMB2,397,060,000 (2021: RMB2,151,441,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

34 SHARE CAPITAL

	As at 31 December	
	2022 HK$'000	2021 HK$'000
Issued and fully paid:		
1,800,111,838 (2021: 1,718,545,841) ordinary shares of HK$0.10 each	180,011	171,855

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

(a) On 27 October 2021, Hong Kong Jingang Trade Holding Co., Limited ("**the Subscriber**"), 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 the Subscriber 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 HKD39,863,000 (equivalent to approximately RMB36,397,000).

35 SHARE OPTION SCHEME

The Group operated a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme are the directors, and any person belonging to any of the following classes of participants:

(i) any employee or proposed employee (whether full-time or part-time), consultants or advisers of or to the Group, any subsidiaries or any entity ("**Invested Entity**") in which the Group holds an equity interest;

(ii) any supplier of goods or services to the Group or any of subsidiaries of any Invested Entity;

(iii) any customer of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(v) any shareholder of the Company or any of the subsidiaries or any Invested Entity or any holder of any securities issued by the Company or any of the subsidiaries or any Invested Entity.

The first Scheme became effective on 8 October 2009 and, unless otherwise cancelled or amended, remained in force for 10 years from that date until 7 October 2019.

The second Scheme became effective on 15 January 2019 and, unless otherwise cancelled or amended, remained in force for 10 years from that date until 14 January 2024.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Group are subject to approval in advance by the directors (excluding any independent non-executive directors who are the grantees of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Group in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value of over HK$5,000,000 (based on the price of the Company's shares at the date of grant), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and commences after a vesting period which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

35 SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2022		2021	
	Weighted average exercise price HK$ per Share	Number of options '000	Weighted average exercise price HK$ per Share	Number of options '000
As at 1 January	10.0	37,499	9.97	40,142
Exercised during the year	–	–	9.60	(2,643)
Cancellation during the year	(10.0)	(37,499)	–	–
As at 31 December	10.0	–	–	37,499

No share options were exercised during the period. On 17 March 2022, upon final closing of the mandatory conditional cash offer, all outstanding options were lapsed/cancelled. The cancellation of the share options was treated as an acceleration of vesting. The Company recognised immediately an amount of RMB4,908,000 equity-settled share option expenses during the 31 December 2022 that otherwise would have been recognised for services received over the remainder of the vesting period.

A new share option scheme was conditionally approved and adopted by all shareholders on 26 May 2022 (the "**New Share Option Scheme**") whereby the board was authorised, at their discretion, to invite, among other eligible participants, employees of the Group, non-executive directors, advisers and consultants, to take up options to subscribe for the shares. The purpose of the New Share Option Scheme is to enable the Company to grant options to the selected participants as incentives or rewards for their contribution to the Group. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the Company. The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the date on which the New Share Option Scheme is approved.

As at 31 December 2022, no option has been granted or agreed to be granted under the New Share Option Scheme.

36 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(i) Capital reserve

The capital reserve represents the net difference between the aggregate of the issued paid-in capital of subsidiaries comprising the Group in 2009 and contribution from the then owners of certain property, plant and equipment, and a lease prepayment for land use rights at nil consideration in 2007 after offsetting the effect arising from the acquisitions of non-controlling interests of subsidiaries.

(ii) Statutory surplus reserve

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

(iii) Exchange fluctuation reserve

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

37 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests ("NCI") as at 31 December 2022 and 2021 are set out below:

Summarised statement of financial position

	Pure Nutrition Limited As at 31 December		Allnutria Bio-Science Co. Ltd. As at 31 December	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Current assets	6,177	5,646	29,094	36,834
Current liabilities	(333,542)	(301,990)	(160,936)	(121,165)
Current net assets	(327,365)	(296,344)	(131,842)	(84,331)
Non-current assets	127,700	145,146	39,581	22,669
Non-current liabilities	–	–	–	–
Non-current net assets	127,700	145,146	39,581	22,669
Net liabilities	(199,665)	(151,198)	(92,261)	(61,662)
Accumulated NCI	(79,866)	(60,479)	(13,839)	(9,250)

Summarised statement of comprehensive income

	Pure Nutrition Limited		Allnutria Bio-Science Co. Ltd.	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	1,591	311	811,295	1,018,616
Loss for the period	(44,879)	(42,435)	(30,599)	(9,321)
Other comprehensive income	–	–	–	–
Total comprehensive loss	(44,879)	(42,435)	(30,599)	(9,321)
Loss allocated to NCI	(17,952)	(16,974)	(4,590)	(1,398)
Dividends paid to NCI	–	–	–	–

38 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Notes	2022 RMB'000	2021 RMB'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		251,277	890,651
Adjusted for:			
Finance costs	8	14,943	18,754
Share of profits and losses of investments accounted for using the equity method	22	(11,598)	43,692
Interest income	9	(38,193)	(28,099)
Depreciation of property, plant and equipment	7, 16	146,239	167,024
Depreciation of investment property	7, 17	3,768	1,312
Depreciation of right-of-use assets	7, 18	39,594	51,440
Amortisation of other intangible assets	7, 20	66,873	57,275
Write-down of inventories to net realisable value	7	224,302	284,087
Impairment of property, plant and equipment	7, 16	5,199	–
Impairment of investment in an associate	22	20,049	–
Net impairment losses on financial assets	24	16,133	50,629
Impairment of goodwill	7, 19	162,011	14,468
Impairment of other intangible assets	7, 20	20,734	–
Loss on disposal of items of property, plant and equipment		36	2,590
Gain on disposal of a subsidiary	9	(1,949)	–
Loss on disposal of items of other intangible assets		5,857	16,820
Equity-settled share option arrangements	7	–	10,858
Cancellation of equity-settled share option arrangement	7	4,908	–
Remeasurement gains on defined benefit plans	31	192	–
Fair value gains on financial instruments – transactions not qualifying as hedges	8, 29	(6,811)	(100)
Increase in inventories		(234,181)	(214,803)
Increase in trade and bills receivables		(156,284)	(51,118)
Increase in prepayments, other receivables and other assets		(12,131)	(49,547)
Increase in trade and bills payables		151,080	46,576
(Decrease)/increase in other payables and accruals and contract liabilities		(798,455)	42,245
Decrease/(increase) in amounts due to associates and joint ventures		2,750	(17,244)
Increase in amounts due from associates and joint ventures		(61,016)	(20,840)
Increase in amounts due from other related parties		(21,461)	–
Cash (used in)/generated from operations		(206,134)	1,316,670
Interest received		40,714	29,003
Interest paid		(14,943)	(13,416)
Income tax paid		(177,174)	(260,938)
Net cash flows (used in)/generated from operating activities		(357,537)	1,071,319

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

(b) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB23,573,000 and RMB23,573,000, respectively, in respect of lease arrangements for plant and equipment (2021: non-cash additions to right-of-use assets and lease liabilities of RMB15,275,000 and RMB15,275,000, respectively).

(c) Changes in liabilities arising from financing activities

2022

	Bank and other loans RMB'000	Lease liabilities RMB'000
As at 1 January 2022	1,177,570	125,451
Changes from financing cash flows	318,297	(57,507)
Foreign exchange movement	(30,253)	3,305
New leases	–	23,573
As at 31 December 2022	1,465,614	94,822

2021

	Bank and other loans RMB'000	Lease liabilities RMB'000
As at 1 January 2021	881,119	205,153
Changes from financing cash flows	405,663	(68,244)
Foreign exchange movement	(109,212)	(16,182)
New lease	–	15,275
Interest expense	–	5,338
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(15,889)
As at 31 December 2021	1,177,570	125,451

(d) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	17,567	8,852
Within financing activities	57,507	68,244
	75,074	77,096

39 PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in Notes 16, 17, 23, 24 and 26, respectively, to the consolidated financial statements.

40 CAPITAL COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Land and buildings	66,580	172,179
Plant and machinery	386,532	378,508
Other intangible assets	1,005	2,476
Acquisition of dairy related assets	143,774	81,583
	597,891	634,746

41 RESTATEMENTS

In preparation for the consolidated financial statements of the Group for the year ended 31 December 2022, the management noted certain misstatements in prior years. The management has corrected these misstatements to the consolidated financial statements as at 31 December 2021 and for the year then ended.

The effects of the restatements on the Group's consolidated statement of profit or loss for the year ended 31 December 2021 are summarised as follows:

	Adjustments								
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	Total
Revenue	(298,117)	–	–	–	–	–	–	–	(298,117)
Cost of sales	–	–	–	(9,747)	–	(9,496)	–	–	(19,243)
Selling and distribution expenses	3,094	–	–	–	–	–	–	–	3,094
Administrative expenses	–	–	–	–	–	–	(6,350)	–	(6,350)
Net impairment losses on financial assets	–	(14,100)	–	–	–	–	–	–	(14,100)
Other income, other gains/(losses) – net	–	–	–	–	(3,357)	–	–	–	(3,357)
Share of profits and losses of investments accounted for using the equity method	–	–	(4,927)	–	–	–	–	–	(4,927)
Income tax expense	76,168	–	–	1,462	866	2,450	1,638	(16,095)	66,489
Profit for the year	(218,855)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,095)	(276,511)
Attributable to:									
The equity holders of the Company	(218,780)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,127)	(276,468)
Non-controlling interests	(75)	–	–	–	–	–	–	32	(43)
	(218,855)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,095)	(276,511)
Earnings per share attributable to the equity holders of the Company									
Basic earnings per share (RMB cents)	(12.74)	(0.82)	(0.29)	(0.48)	(0.15)	(0.41)	(0.27)	(0.94)	(16.10)
Diluted earnings per share (RMB cents)	(12.70)	(0.82)	(0.29)	(0.48)	(0.14)	(0.41)	(0.27)	(0.94)	(16.05)

The profit for the year ended 31 December 2021 was decreased by RMB276,511,000 due to the total effect of the above restatements.

41 RESTATEMENTS (continued)

The effects of the restatements on the Group's consolidated statement of comprehensive income for the year ended 31 December 2021 are summarised as follows:

	Adjustments								
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	Total
Profit for the year	(218,855)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,095)	(276,511)
Other comprehensive income for the year	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	(218,855)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,095)	(276,511)
Total comprehensive income attributable to:									
The equity holders of the Company	(218,780)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,127)	(276,468)
Non-controlling interests	(75)	–	–	–	–	–	–	32	(43)
	(218,855)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(16,095)	(276,511)

The effects of the restatements on the Group's consolidated statement of financial position as at 31 December 2021 are summarised as follows:

	Adjustments								
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	Total
Increase/(Decrease)									
ASSETS									
Non-current assets									
Investments accounted for using the equity method	–	–	(4,927)	–	–	–	–	–	(4,927)
Prepayments, deposits and other assets	–	–	–	–	(3,357)	–	–	–	(3,357)
Deferred tax assets	146,024	–	–	1,462	866	2,450	1,638	7,482	159,922
Current assets									
Inventories	–	–	–	(9,747)	–	(9,496)	–	–	(19,243)
Trade and bills receivables	–	(14,100)	–	–	–	–	–	–	(14,100)
LIABILITIES									
Current liabilities									
Other payables and accruals	(69,272)	–	–	–	–	–	6,350	–	(62,922)
Contract liabilities	693,174	–	–	–	–	–	–	–	693,174
Income tax payable	–	–	–	–	–	–	–	50,579	50,579
EQUITY									
Reserves	(474,937)	(14,100)	(4,927)	(8,285)	(2,491)	(7,046)	(4,712)	(43,957)	(560,455)
Non-controlling interests	(2,941)	–	–	–	–	–	–	860	(2,081)

41 RESTATEMENTS (continued)

The effects of the restatements on the Group's consolidated statement of financial position as at 1 January 2021 are summarised as follows:

	Adjustments								
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	Total
Increase/(Decrease)									
ASSETS									
Non-current assets									
Deferred tax assets	69,856	–	–	–	–	–	–	–	69,856
LIABILITIES									
Current liabilities									
Other payables and accruals	(66,178)	–	–	–	–	–	–	–	(66,178)
Contract liabilities	395,057	–	–	–	–	–	–	–	395,057
Income tax payable	–	–	–	–	–	–	–	27,002	27,002
EQUITY									
Reserves	(256,157)	–	–	–	–	–	–	(27,830)	(283,987)
Non-controlling interests	(2,866)	–	–	–	–	–	–	828	(2,038)

Notes:

(i) The Company discovered an error in the accuracy of the recognition for sales incentive program. The error resulted in an overstatement of revenue, selling and distribution expenses and income tax expense in 2021, understatement of contract liabilities and deferred tax assets, and overstatement of other payables and accruals as at 1 January 2021 and 31 December 2021.

(ii) The Company discovered an error in the accuracy of trade and bills receivables provision for certain customer. The error resulted in an understatement of net impairment losses on financial assets in 2021, and overstatement of trade and bills receivables as at 31 December 2021.

(iii) The Company discovered an error in the accuracy of share of profits and losses of investments accounted for using the equity method. The error resulted in an overstatement of share of profits and losses of investments accounted for using the equity method in 2021, and overstatement of investments accounted for using the equity method as at 31 December 2021.

(iv) The Company discovered an error in the accuracy of inventory provision. The error resulted in an understatement of cost of sales and overstatement of income tax expense in 2021 and understatement of inventory provision and deferred tax assets as at 31 December 2021.

(v) The Company discovered an error in the accuracy of prepayments, deposits and other assets. The error resulted in an overstatement of other income (other income is presented in the "Other income, other gains/(losses) – net") and overstatement of income tax expense in 2021, and overstatement of prepayments, deposits and other assets and understatement of deferred tax assets as at 31 December 2021.

(vi) The Company discovered an error in the accuracy of inter-company transactions elimination. The error resulted in an understatement of cost of sales and overstatement of income tax expense in 2021, and overstatement of inventories and understatement of deferred tax assets as at 31 December 2021.

(vii) The Company discovered an error in the accuracy of provision for employees with long term sick leave in Netherlands. The error resulted in an understatement of administrative expenses and overstatement of income tax expense in 2021, and understatement of other payables and accruals and understatement of deferred tax assets as at 31 December 2021.

(viii) The Company discovered an error in the accuracy of income tax payable. The error resulted in an understatement of income tax expense in 2021, and understatement of income tax payable and deferred tax assets as at 31 December 2021, and understatement of income tax payable as at 1 January 2021.

42 RELATED PARTY TRANSACTIONS

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

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

	Notes	2022 RMB'000	2021 RMB'000
Sales and purchases of goods and services			
Purchases of products from the associates	(i)	277,620	244,557
Sales of products to the associates	(i)	290,336	357,662
Sales of products to the subsidiaries of Yili Industrial	(ii)	33,989	–
Purchase of products from the subsidiaries of Yili Industrial	(ii)	31,654	–
Provides services to the subsidiaries of Yili Industrial	(ii)	10,503	–
Management fees received from an associate		6	196

(i) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(ii) The above sales of raw materials and finished goods, purchase of raw materials and provision of processing service are carried out in accordance with the terms of the underlying agreements with Yili Industrial.

(b) Outstanding balances with related parties:

(i) Due to related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade and bills payables (Note 27)		
Amount due to associates	25,615	22,865

42 RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties: (continued)

(ii) Due from related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade and bills receivables (Note 24)		
Amount due from associates	150,622	89,647
Amount due from the subsidiaries of Yili Industrial	21,461	–
	172,083	89,647
Prepayments, other receivables and other assets (Note 25)		
Amount due from associates	1,485	1,444

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	42,599	36,746
Retirement benefit contributions	1,324	1,391
Equity-settled share option expense	–	4,044
Total compensation paid to key management personnel	43,923	42,181

Further details of directors' and the chief executive's emoluments are included in Note 10 to the consolidated financial statements.

43 FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables (Note 24)	–	661,903	661,903
Financial assets included in prepayments, other receivables and other assets (Note 25)	–	25,905	25,905
Financial assets at fair value through profit or loss (Note 21)	34,817	–	34,817
Pledged deposits (Note 26)	–	125,248	125,248
Cash and cash equivalents (Note 26)	–	1,861,860	1,861,860
	34,817	2,674,916	2,709,733

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (Note 27)	559,808	559,808
Financial liabilities included in other payables and accruals	620,245	620,245
Lease liabilities (Note 18)	94,822	94,822
Interest-bearing bank loans and other borrowings (Note 30)	1,465,614	1,465,614
	2,740,489	2,740,489

43 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000 (restated)	Total RMB'000 (restated)
Trade and bills receivables (Note 24)	–	445,227	445,227
Financial assets included in prepayments, other receivables and other assets	–	28,863	28,863
Financial assets at fair value through profit or loss (Note 21)	20,000	–	20,000
Pledged deposits (Note 26)	–	255,237	255,237
Cash and cash equivalents (Note 26)	–	2,262,188	2,262,188
	20,000	2,991,515	3,011,515

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables (Note 27)	–	405,978	405,978
Financial liabilities included in other payables and accruals	–	657,204	657,204
Financial liabilities at fair value through profit and loss (Note 29)	3	–	3
Lease liabilities (Note 18)	–	125,451	125,451
Interest-bearing bank loans and other borrowings (Note 30)	–	1,177,570	1,177,570
	3	2,366,203	2,366,206

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Assets		
NON-CURRENT ASSETS		
Investments in subsidiaries	463,979	463,979
Total non-current assets	463,979	463,979
CURRENT ASSETS		
Due from subsidiaries	3,282,654	2,484,441
Prepayments, other receivables and other assets	2,929	1,951
Cash and cash equivalents	63,858	5,464
Total current assets	3,349,441	2,491,856
Total assets	3,813,420	2,955,835
Liabilities		
CURRENT LIABILITIES		
Due to subsidiaries	41,224	53,364
Other payables	11,517	10,644
Total current liabilities	52,741	64,008
Total liabilities	52,741	64,008
EQUITY		
Share capital	156,061	149,485
Reserves (a)	3,604,618	2,742,342
Total equity	3,760,679	2,891,827
Total equity and liabilities	3,813,420	2,955,835

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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

	Share premium account RMB'000	Capital reserve* RMB'000	Treasury shares RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
As at 1 January 2021	3,186,678	171,320	–	40,541	(81,574)	(121,501)	3,195,464
Total comprehensive loss for the year	–	–	–	–	(23,008)	(75,007)	(98,015)
Exercise of share options	24,039	–	–	(3,318)	–	–	20,721
Equity-settled share option arrangements	–	–	–	10,858	–	–	10,858
Final 2020 dividend declared	(386,686)	–	–	–	–	–	(386,686)
As at 31 December 2021	2,824,031	171,320	–	48,081	(104,582)	(196,508)	2,742,342
Total comprehensive profit for the year	–	–	–	–	293,146	298,331	591,477
Issues of shares	731,678	–	–	–	–	–	731,678
Cancellation of equity-settled share option arrangements	–	–	–	4,908	–	–	4,908
Repurchase of shares	–	–	(36,397)	–	–	–	(36,397)
Cancellation of repurchased shares	(35,627)	–	36,397	–	–	–	770
Final 2021 dividend declared	(430,160)	–	–	–	–	–	(430,160)
As at 31 December 2022	3,089,922	171,320	–	52,989	188,564	101,823	3,604,618

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

45 COMPARATIVE INFORMATION

Certain comparative amounts in the consolidated financial statements have been reclassified to conform with the current year's presentation.

46 EVENTS AFTER THE REPORTING PERIOD

On 21 October 2022, Ausnutria B.V., a wholly-owned subsidiary of the Company, and Dairy Goat Holland B.V., an independent third party, entered into the sale and purchase agreement for the acquisition of 50.0% of the issued shares of Amalthea Group B.V., a company incorporated in the Netherlands, and its subsidiaries (the "**Amalthea Group**") at a cash consideration of approximately EUR18.4 million (equivalent to approximately RMB130.7 million) (the "**Acquisition**"). The Amalthea Group is principally engaged in the exploitation of cheese factory and the trading of goat cheese and related products. Further details regarding the Acquisition were set out in the announcement of the Company dated 21 October 2022.

Subsequent to the end of the reporting period, on 9 February 2023, the Acquisition was completed and the Amalthea Group became a joint venture of the Company thereafter.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December				
	2022	2021^	2020*	2019*	2018*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
Revenue	7,795,512	8,575,157	7,823,804	6,686,600	5,273,660
Profit before income tax	251,277	890,651	1,095,938	1,071,483	681,415
Income tax expenses	(62,934)	(164,937)	(194,559)	(220,640)	(124,880)
Profit for the year	188,343	725,714	901,379	850,843	556,535
Attributable to:					
The equity holders of the Company	216,526	763,794	908,318	852,917	553,803
Non-controlling interests	(28,183)	(38,080)	(6,939)	(2,074)	2,732
	188,343	725,714	901,379	850,843	556,535

	As at 31 December				
	2022	2021^	2020^	2019*	2018*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	9,796,095	9,632,501	9,317,813	8,386,797	6,864,962
Total liabilities	(4,231,039)	(4,701,390)	(4,451,898)	(4,483,258)	(3,602,728)
Net assets	5,565,056	4,931,111	4,865,915	3,903,539	3,262,234
Non-controlling interests	81,515	46,975	21,470	(33,620)	(128,756)
	5,646,571	4,978,086	4,887,385	3,869,919	3,133,478

^ In preparation for the consolidated financial statements of the Group for the Year 2022, the management noted certain misstatements in prior years (the "**Misstatements**"). The management has corrected these Misstatements to the consolidated financial statements as at 31 December 2021 and for the year then ended (including the opening balances for the year ended 31 December 2021 which affected the figures as at 1 January 2021 accordingly). Further details are set out in note 41 to the consolidated financial statements.

* As depicted in note 41 to the consolidated financial statements, the Group made certain adjustments to its consolidated financial statements for the year ended 31 December 2021. For the sake of consistency, the Group restated its financial figures for the three years ended 31 December 2020 as presented above to reflect the impact of the restatements on the recognition for sales incentive program to the Group's financial figures for the prior years.

While the Group has made its best endeavour to ensure the restated financial figures for the three years ended 31 December 2020 are free from material errors and misstatements, the said figures are only prepared for information only and were neither audited nor reviewed by the Group's current auditors, PricewaterhouseCoopers.

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