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## **CHINA MENGNIU DAIRY COMPANY LIMITED**

**中國蒙牛乳業有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2319)**

### **ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **HIGHLIGHTS**

- In 2023, the Group continued to strengthen its core business, optimized its business structure, and refined its operational management, achieving growth in revenue by 6.5% to RMB98,624.0 million.
- In 2023, the Group's operating profit increased by 13.8% year-on-year to RMB6,170.6 million, while its operating profit margin increased by 0.4 percentage points year-on-year to 6.3%.
- The Group expanded its market share in the liquid milk market, continuing *Milk Deluxe's* leading market share expansion within the high-end milk sector, and there was a significant increase in the market share of room temperature milk beverages. The chilled yogurt business achieved counter-trend growth and maintained the top market share for the nineteenth consecutive year. The growth of fresh milk business outpaced the industry, reinforcing the leading position for high-end fresh milk. The ice cream business focused on development in both domestic and international markets, pushing for extensive innovative breakthroughs.
- The Group conducted share repurchases with a total amount of HK\$795.6 million during the year to reward its shareholders earnestly. In addition, the directors recommend the dividend payout ratio to be raised to 40% for 2023, and payment of a final dividend of RMB0.489 per ordinary share, with a total proposed payment of cash dividend of RMB1,924.4 million, representing a year-on-year increase of 21.0%.

\* For identification purpose only

- To implement the “More Nutritious” strategy, Mengniu focused on exploring the potential opportunities in the dairy product segment, and dedicated itself to research and development for innovations and breakthroughs to meet consumer needs. During the year, Mengniu expanded into the sports nutrition field and launched the first liquid protein nutritional supplement in China, M-ACTION Sports Protein Drink. It also became the first Chinese dairy company to successfully independently develop human milk oligosaccharide (HMO), establishing a first-mover advantage in the frontier field of nutrition.
- To pursue a “Smarter” approach, the Group proactively implemented a digital strategy to create new quality productivity. During the year, Mengniu completed the construction of the world’s first fully intelligent dairy factory, and introduced the world’s first model in the nutrition and health field, MENGNIU.GPT, as well as a nutrition and health management platform, “WOW Health+”. The Group is committed to providing billions of families with personalized, long-term health services for the entire family.
- To fulfill the “Greener” objective, the Group continued to implement its “GREEN” strategy and the dual-carbon strategic goal, by announcing a leading industry pledge towards “zero-deforestation”. The Group also actively promoted carbon reduction in farms, green operations, responsible supply chain, and development of nutritious and healthy, green and low-carbon products. During the year, the Group’s MSCI ESG rating was raised from A to AA level, and it was the only comprehensive dairy company in China to obtain an AA rating.

The board (the “Board”) of directors (the “Directors”) of China Mengniu Dairy Company Limited (the “Company”) is pleased to present the results of the Company and its subsidiaries (the “Group” or “Mengniu”) for the year ended 31 December 2023, together with the comparative amounts.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

(Expressed in Renminbi (“RMB”))

	Notes	2023 RMB’000	2022 RMB’000
<b>Revenue</b>	4	<b>98,624,041</b>	92,593,322
Cost of sales		<u>(61,983,946)</u>	<u>(59,903,540)</u>
<b>Gross profit</b>		<b>36,640,095</b>	32,689,782
Other income and gains	4	<b>1,069,392</b>	2,139,649
Selling and distribution expenses		<b>(25,192,211)</b>	(22,347,316)
Administrative expenses		<b>(4,742,531)</b>	(4,441,844)
Impairment losses on financial and contract assets, net		<b>(309,626)</b>	(289,432)
Loss on derecognition of financial assets measured at amortised cost		<b>(54,663)</b>	(53,993)
Other expenses	5	<b>(1,296,464)</b>	(1,863,564)
Interest income		<b>1,675,555</b>	1,385,385
Finance costs	7	<b>(1,569,281)</b>	(1,125,263)
Share of results of associates		<b>91,921</b>	408,949
<b>Profit before taxation</b>	6	<b>6,312,187</b>	6,502,353
Income tax expense	8	<b>(1,425,212)</b>	(1,317,549)
<b>Profit for the year</b>		<b><u>4,886,975</u></b>	<b><u>5,184,804</u></b>
Attributable to:			
Owners of the Company		<b>4,809,197</b>	5,302,972
Non-controlling interests		<b>77,778</b>	(118,168)
		<b><u>4,886,975</u></b>	<b><u>5,184,804</u></b>
<b>Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB per share)</b>	10		
Basic		<b>1.220</b>	1.342
Diluted		<b>1.216</b>	1.336

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(Expressed in RMB)

	2023 RMB'000	2022 RMB'000
<b>Profit for the year</b>	<b>4,886,975</b>	<b>5,184,804</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(107,916)	(410,782)
Effective portion of changes in fair value of hedging instruments arising during the year:		
— Total hedging loss recognised in other comprehensive income (excluding exchange differences)	167,538	753,048
— Amount reclassified from other comprehensive income to profit or loss	(275,535)	(298,971)
Share of other comprehensive income of associates	(24,825)	(6,977)
<b>Net other comprehensive income that may be reclassified to profit or loss in subsequent periods</b>	<b>(240,738)</b>	<b>36,318</b>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation	124,287	(915,068)
Equity investments designated at fair value through other comprehensive income:		
— Changes in fair value	(15,422)	680
<b>Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>	<b>108,865</b>	<b>(914,388)</b>
<b>Other comprehensive income, net of tax</b>	<b>(131,873)</b>	<b>(878,070)</b>
<b>Total comprehensive income for the year</b>	<b>4,755,102</b>	<b>4,306,734</b>
Attributable to:		
Owners of the Company	4,668,268	4,414,370
Non-controlling interests	86,834	(107,636)
	<b>4,755,102</b>	<b>4,306,734</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in RMB)

	Notes	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		21,715,379	19,652,598
Construction in progress		2,348,779	4,111,176
Investment properties		59,421	61,067
Right-of-use assets		2,733,497	2,783,177
Goodwill		8,952,282	8,887,830
Other intangible assets		12,617,999	12,374,368
Investments in associates		10,408,632	10,396,345
Deferred tax assets		1,434,197	1,600,692
Derivative financial instruments		324,509	475,625
Other financial assets		20,147,281	20,240,280
Long-term prepayments		349,713	452,973
<b>Total non-current assets</b>		<b>81,091,689</b>	<b>81,036,131</b>
<b>Current assets</b>			
Other financial assets		8,531,769	6,827,398
Derivative financial instruments		23,492	4,716
Inventories		6,088,450	8,073,377
Trade and bills receivables	11	3,668,604	3,660,242
Prepayments, other receivables and other assets		3,095,554	4,639,624
Pledged deposits		276,593	284,213
Cash and bank balances		12,443,800	12,765,829
Assets held for sale		—	521,675
<b>Total current assets</b>		<b>34,128,262</b>	<b>36,777,074</b>
<b>Current liabilities</b>			
Trade and bills payables	12	9,499,441	10,200,635
Other payables and accruals		12,892,166	13,581,433
Interest-bearing bank and other borrowings		9,806,937	9,094,719
Derivative financial instruments		—	25,769
Income tax payable		340,853	226,846
Other financial liabilities		54,661	—
Liabilities held for sale		—	23,850
<b>Total current liabilities</b>		<b>32,594,058</b>	<b>33,153,252</b>
<b>Net current assets</b>		<b>1,534,204</b>	<b>3,623,822</b>
<b>Total assets less current liabilities</b>		<b>82,625,893</b>	<b>84,659,953</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*  
*at 31 December 2023*  
*(Expressed in RMB)*

	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current liabilities</b>		
Interest-bearing bank and other borrowings	<b>27,603,818</b>	30,013,886
Deferred income	<b>636,194</b>	572,132
Deferred tax liabilities	<b>3,729,709</b>	3,926,470
Derivative financial instruments	<b>4,461</b>	10,708
Other financial liabilities	<b>—</b>	84,959
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>31,974,182</b>	34,608,155
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<b>NET ASSETS</b>	<b>50,651,711</b>	50,051,798
	<hr/>	<hr/>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<b>358,143</b>	359,948
Treasury shares	<b>(148,344)</b>	(175,701)
Other reserves	<b>10,045,196</b>	10,466,418
Retained earnings	<b>34,064,964</b>	29,447,875
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	<b>44,319,959</b>	40,098,540
Non-controlling interests	<b>6,331,752</b>	9,953,258
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>50,651,711</b>	50,051,798
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## NOTES

*(Expressed in RMB unless otherwise indicated)*

### 1 CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability in the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. The Company is an investment holding company. The Group is engaged in the manufacture and distribution of dairy products.

### 2 MATERIAL ACCOUNTING POLICIES

#### 2.1 Basis of preparation

In prior years, the Company prepared financial statements in accordance with all applicable IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the International Accounting Standards Board (the “IASB”), and which have been included in the Company’s annual report. Separately, for the purpose of issuance of panda bond, the Company also prepared financial statements in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

To streamline the preparation of financial statements, the directors of the Company has decided to expand the statement of compliance with IFRS Accounting Standards to assert dual compliance with HKFRSs in the current year. As such, the financial statements of the Group for the year ended 31 December 2023 have been prepared in accordance with the applicable IFRS Accounting Standards issued by the IASB and HKFRSs issued by the HKICPA which are derived from and consistent with IFRS Accounting Standards. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

These financial statements have been prepared under the historical cost convention except for share options, certain financial assets, derivative financial instruments, certain other financial liabilities and certain other borrowings which have been measured at their fair values. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS Accounting Standards and HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## 2 MATERIAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Group and the Group's interest in associates for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



## 2 MATERIAL ACCOUNTING POLICIES *(continued)*

### 2.1 Basis of preparation *(continued)*

#### ***Basis of consolidation (continued)***

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### 2.2 Changes in accounting policies

#### ***(a) New and amended IFRSs/HKFRSs***

The Group has applied the following new and amendments to accounting standards issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

The equivalent new and revised HKFRSs, consequently issued by the HKICPA as a result of these developments, have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

### 3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year, the Group has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change as follows:

- Liquid milk business — manufacture and distribution of ultra-high temperature milk (“UHT milk”), milk beverages, yogurt and fresh milk;
- Ice cream business — manufacture and distribution of dairy-based ice cream;
- Milk formula business — manufacture and distribution of milk powder;
- Cheese business — manufacture and distribution of cheese; and
- Others — principally the Group’s manufacture of raw materials for dairy products and trading business.

Certain comparative amounts in the segment information have been adjusted to conform the current year’s presentation.

#### (a) Segment results, assets, and liabilities

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 reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that interest income, non-lease-related finance costs, share of results of associates, income tax expense, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude investments in associates, assets of a disposal group classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude liabilities of a disposal group classified as held for sale and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

### 3 OPERATING SEGMENT INFORMATION *(continued)*

#### (a) Segment results, assets, and liabilities *(continued)*

Year ended 31 December 2023

	Liquid milk business <i>RMB'000</i>	Ice cream business <i>RMB'000</i>	Milk powder business <i>RMB'000</i>	Cheese business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue <i>(Note 4)</i>:</b>						
Sales to external customers	82,071,069	6,026,325	3,801,747	4,357,260	2,367,640	98,624,041
Intersegment sales	1,127,114	55,996	24,751	22,323	619,202	1,849,386
	<u>83,198,183</u>	<u>6,082,321</u>	<u>3,826,498</u>	<u>4,379,583</u>	<u>2,986,842</u>	<u>100,473,427</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						<u>(1,849,386)</u>
Revenue						<u>98,624,041</u>
<b>Segment results</b>	<b>6,126,458</b>	<b>427,731</b>	<b>(198,939)</b>	<b>146,564</b>	<b>(198,101)</b>	<b>6,303,713</b>
<i>Reconciliation:</i>						
Interest income						1,675,555
Finance costs (other than interest on lease liabilities)						(1,505,100)
Share of results of associates						91,921
Corporate and other unallocated expense						<u>(253,902)</u>
Profit before tax						6,312,187
Income tax expense						<u>(1,425,212)</u>
Profit for the year						<u>4,886,975</u>
<b>Segment assets</b>	<b>69,989,322</b>	<b>6,521,677</b>	<b>16,628,126</b>	<b>15,403,307</b>	<b>2,179,511</b>	<b>110,721,943</b>
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(33,004,852)
Corporate and other unallocated assets						27,094,228
Investments in associates						<u>10,408,632</u>
Total assets						<u>115,219,951</u>
<b>Segment liabilities</b>	<b>28,708,293</b>	<b>4,454,086</b>	<b>6,905,303</b>	<b>3,750,950</b>	<b>1,841,636</b>	<b>45,660,268</b>
<i>Reconciliation:</i>						
Elimination of intersegment payables						(33,004,852)
Corporate and other unallocated liabilities						<u>51,912,824</u>
Total liabilities						<u>64,568,240</u>

### 3 OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2023 (continued)

	Liquid milk business RMB'000	Ice cream business RMB'000	Milk powder business RMB'000	Cheese business RMB'000	Others RMB'000	Total RMB'000
<b>Other segment information:</b>						
Depreciation and amortisation	2,548,462	264,609	180,805	190,460	56,049	3,240,385
Unallocated amounts						60,357
Total depreciation and amortisation						<u>3,300,742</u>
Capital expenditure	2,769,719	488,938	350,864	248,971	168,386	4,026,878
Unallocated amounts						48,327
Total capital expenditure*						<u>4,075,205</u>
Impairment losses and write-down of inventories recognised in the consolidated statement of profit or loss	431,972	47,486	197,326	12,214	277,334	966,332
Impairment losses and write-down of inventories reversed in the consolidated statement of profit or loss	(38,982)	(32,411)	(173,790)	(4,160)	(35,658)	(285,001)
Impairment losses and write-down of inventories recognised in the consolidated statement of profit or loss, net	<u>392,990</u>	<u>15,075</u>	<u>23,536</u>	<u>8,054</u>	<u>241,676</u>	<u>681,331</u>
Expense relating to share-based payment component of the convertible bonds, share option scheme, share award scheme and reversal of restricted shares expenses of a subsidiary	223,616	31,342	4,897	14,160	(52,413)	221,602
Unallocated amounts						347,114
Total non-cash expenses relating to share-based payment component of the convertible bonds, share option scheme, share award scheme and reversal of restricted shares expenses of a subsidiary						<u>568,716</u>

### 3 OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2022

	Liquid milk business RMB'000	Ice cream business RMB'000	Milk powder business RMB'000	Cheese business RMB'000	Others RMB'000	Total RMB'000
<b>Segment revenue (Note 4):</b>						
Sales to external customers	78,269,313	5,652,422	3,861,991	1,321,146	3,488,450	92,593,322
Intersegment sales	986,238	50,745	154,283	—	964,448	2,155,714
	79,255,551	5,703,167	4,016,274	1,321,146	4,452,898	94,749,036
<i>Reconciliation:</i>						
Elimination of intersegment sales						(2,155,714)
Revenue						<u>92,593,322</u>
<b>Segment results</b>	5,721,334	25,794	(1,498,661)	41,696	54,419	4,344,582
<i>Reconciliation:</i>						
Interest income						1,385,385
Finance costs (other than interest on lease liabilities)						(1,093,887)
Share of results of associates						408,949
Corporate and other unallocated income						<u>1,457,324</u>
Profit before tax						6,502,353
Income tax expense						<u>(1,317,549)</u>
Profit for the year						<u>5,184,804</u>
<b>Segment assets</b>	66,318,779	5,803,247	16,289,640	17,056,021	1,831,253	107,298,940
<i>Reconciliation:</i>						
Elimination of intersegment receivables						(31,449,137)
Corporate and other unallocated assets						31,045,382
Investments in associates						10,396,345
Assets held for sale						<u>521,675</u>
Total assets						<u>117,813,205</u>
<b>Segment liabilities</b>	30,420,394	4,291,169	6,821,665	4,154,342	1,521,580	47,209,150
<i>Reconciliation:</i>						
Elimination of intersegment payables						(31,449,137)
Corporate and other unallocated liabilities						51,977,544
Liabilities held for sale						<u>23,850</u>
Total liabilities						<u>67,761,407</u>

### 3 OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2022 (continued)

	Liquid milk business RMB'000	Ice cream business RMB'000	Milk powder business RMB'000	Cheese business RMB'000	Others RMB'000	Total RMB'000
<b>Other segment information:</b>						
Depreciation and amortisation	2,235,222	223,456	137,146	27,051	183,228	2,806,103
Unallocated amounts						72,145
Total depreciation and amortisation						<u>2,878,248</u>
Capital expenditure	3,663,569	440,494	227,239	464,095	60,470	4,855,867
Unallocated amounts						1,421,731
Total capital expenditure*						<u>6,277,598</u>
Impairment losses and write-down of inventories recognised in the consolidated statement of profit or loss	302,905	44,473	990,544	8,559	13,253	1,359,734
Impairment losses and write-down of inventories reversed in the consolidated statement of profit or loss	(73,318)	(4,694)	(5,019)	(1)	(6,784)	(89,816)
Impairment losses and write-down of inventories recognised in the consolidated statement of profit or loss, net	<u>229,587</u>	<u>39,779</u>	<u>985,525</u>	<u>8,558</u>	<u>6,469</u>	<u>1,269,918</u>
Expense relating to share-based payment component of the convertible bonds, share option scheme, share award scheme and reversal of restricted shares expenses of a subsidiary	219,388	41,723	9,843	(55,575)	10,514	225,893
Unallocated amounts						460,970
Total non-cash expenses relating to share-based payment component of the convertible bonds, share option scheme, share award scheme and reversal of restricted shares expenses of a subsidiary						<u>686,863</u>

\* Capital expenditure consists of cash paid for the purchase of property, plant and equipment, construction in progress, intangible assets, land use rights, equity interests in subsidiaries, associates and other equity investments.

### 3 OPERATING SEGMENT INFORMATION *(continued)*

#### (b) Geographical information

##### (i) Revenue from external customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The Chinese Mainland	94,335,586	87,997,985
Overseas	<u>4,288,455</u>	<u>4,595,337</u>
	<u><b>98,624,041</b></u>	<u><b>92,593,322</b></u>

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

##### (ii) Non-current assets

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
The Chinese Mainland	48,014,045	47,923,295
Overseas	<u>11,171,657</u>	<u>10,796,239</u>
	<u><b>59,185,702</b></u>	<u><b>58,719,534</b></u>

The non-current asset information above is based on locations of non-current assets, excluding derivative financial instruments, other financial assets and deferred tax assets.

#### (c) Information about major customers

There were no sales to a single customer which accounted for 10% or more of the Group's revenue for the year ended 31 December 2023.

#### 4 REVENUE, OTHER INCOME AND GAINS

##### (a) Revenue

An analysis of the revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue from contracts with customer:</b>		
Sale of goods	98,590,612	92,592,407
Consignment processing services	33,429	915
	<u>98,624,041</u>	<u>92,593,322</u>

##### (b) Other income and gains

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants related to		
— assets	121,738	95,505
— compensation for expenses	435,580	397,194
Gain on disposal of a subsidiary	—	241,460
Gain on disposal of an associate	1,046	—
Gain on disposal of business of Arla Foods amba	—	55,750
Gross rental income	63,386	74,733
Gain on disposal of assets and liabilities held for sale	14,521	—
Net fair value gain on exchangeable bonds	2,024	113,817
Net fair value gain on unlisted equity investment at fair value through profit or loss	—	1,271
Net fair value gain on other financial liabilities	23,658	861,710
Net gain on disposal of property, plant and equipment, other intangible assets and right-of-use assets	—	22,179
Net gain on disposal of raw materials	91,883	114,311
Others	315,556	161,719
	<u>1,069,392</u>	<u>2,139,649</u>



## 5 OTHER EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Write-down of inventories to net realisable value	323,675	238,049
Educational surcharges, city construction tax, and other taxes	534,812	477,439
Donations	62,659	106,728
Foreign exchange loss, net	77,382	45,676
Impairment of goodwill	—	742,437
Net fair value loss on unlisted equity investment in Jilin Province Guangze Dairy Technology Co., Ltd. with put options	—	9,083
Net loss on disposal of items of property, plant and equipment	14,423	—
Net fair value loss on forward currency contracts	4,641	31,754
Net fair value loss on unlisted equity investment at fair value through profit or loss	22,945	—
Loss on re-measurement of investment in an associate upon a business combination	—	12,639
Impairment of investments in an associate	48,030	—
Others	207,897	199,759
	<u>1,296,464</u>	<u>1,863,564</u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold	61,958,116	59,902,799
Cost of consigned processing services	<u>25,830</u>	<u>741</u>
Cost of sales	<u><b>61,983,946</b></u>	<u><b>59,903,540</b></u>
Employee benefit expense (including directors' and chief executive's remuneration) ( <i>Note (a)</i> )		
— Wages, salaries, housing benefits and other allowances	7,625,682	7,257,310
— Retirement benefit contributions	817,790	713,357
— Fair value amortisation of share-based payment component of the convertible bonds	436,448	566,155
— Share option scheme expense	69,067	58,844
— Share award scheme expense	121,608	131,932
— Reversal of restricted shares expense of a subsidiary	<u>(58,407)</u>	<u>(70,068)</u>
	<u><b>9,012,188</b></u>	<u><b>8,657,530</b></u>
Impairment of trade receivables, net	121,559	279,109
Impairment of financial assets included in prepayments, other receivables and other financial assets, net,	<u>188,067</u>	<u>10,323</u>
Impairment of financial assets, net	<u><b>309,626</b></u>	<u><b>289,432</b></u>
Write-down of inventories to net realisable value	323,675	238,049
Impairment of goodwill	—	742,437
Impairment of investments in an associate	48,030	—
Depreciation of property, plant and equipment	2,803,699	2,456,658
Depreciation of right-of-use assets	385,609	315,886
Depreciation of investment properties	1,646	1,510
Amortisation of other intangible assets	109,788	104,194
Research and development costs	495,507	411,647
Outsourcing expense ( <i>Note (b)</i> )	180,283	178,836
Lease payments not included in the measurement of lease liabilities ( <i>Note (c)</i> )	260,106	281,530
Auditor's remuneration		
— Audit services ( <i>Note (d)</i> )	8,658	10,658
— Non-audit service	<u>4,229</u>	<u>907</u>

## 6 PROFIT BEFORE TAXATION (continued)

Notes:

- (a) The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme ranging from 16% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. The mechanism have no material effect on how the Group's results and financial position for the current year have been prepared or presented.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

- (b) For the purpose of promoting operation efficiency, the Group outsourced the production of certain products. The amounts represent the total amount paid by the Group for purchasing outsourcing services.
- (c) The Group recognised rental expenses from short-term leases of RMB147,265,000 (2022: RMB155,137,000), leases of low-value assets of RMB27,922,000 (2022: RMB39,023,000) and variable lease payments not based on index or rates of RMB84,919,000 (2022: RMB87,370,000) for the year ended 31 December 2023.
- (d) In addition to the above fees paid or payable to the auditors, Shanghai Milkground Food Tech Co., Ltd., a subsidiary of the Company listed on the Main Board of the Shanghai Stock Exchange, had an amount of RMB1,300,000 paid/payable as auditor's remuneration for annual audit for the year ended 31 December 2023.

## 7 FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank loans	674,988	320,202
Interest on other borrowings (excluding lease liabilities)	830,112	773,685
Interest on lease liabilities	64,181	31,376
	<u>1,569,281</u>	<u>1,125,263</u>

## 8 INCOME TAX EXPENSE

### (a) Taxation in the consolidated statement of profit or loss represents:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current income tax</b>		
Current charge for the year	1,229,296	888,921
Adjustments in relation to prior years	31,575	52,433
<b>Deferred income tax</b>	<u>164,341</u>	<u>376,195</u>
	<u><b>1,425,212</b></u>	<u><b>1,317,549</b></u>

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before tax		<u><b>6,312,187</b></u>	<u><b>6,502,353</b></u>
At tax rate of 25% (2022: 25%)	<i>(i)</i>	<b>1,578,047</b>	1,625,588
Non-deductible items and others, net		<b>60,633</b>	67,632
Tax effect of super deduction on research and development expenses	<i>(i)</i>	<b>(103,527)</b>	(83,412)
Impairment of goodwill and trademarks with indefinite useful lives		—	187,350
Adjustments in relation to prior years		<b>31,575</b>	52,433
Effect of different tax rates	<i>(ii)/(iii)/(iv)</i>	<b>(101,097)</b>	(308,985)
Effect of tax concessions	<i>(v)/(vi)</i>	<b>(768,598)</b>	(672,384)
Tax effect of share of results of associates		<b>(22,980)</b>	(102,237)
Tax losses and deductible temporary differences utilised from previous periods		<b>(67,689)</b>	(86,112)
Tax losses and deductible temporary differences not recognised		<b>518,665</b>	409,692
Effect of withholding tax at 5%/10% on the distributable profits of the Group's certain PRC subsidiaries		<u><b>300,183</b></u>	<u>227,984</u>
Income tax		<u><b>1,425,212</b></u>	<u><b>1,317,549</b></u>

## 8 INCOME TAX EXPENSE (continued)

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Notes:

- (i) The provision for the income tax is based on the statutory rate of 25% (2022: 25%) on the estimated taxable profits determined in accordance with the Law of the People's Republic of China on Corporate Income Tax ("PRC CIT Law"), except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies or certain subsidiaries in other jurisdictions.
- (ii) Pursuant to the income tax rules and regulations of Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to income tax in Cayman Islands and the BVI.
- (iii) The provision for Hong Kong Profits Tax is calculated by applying at 16.5% (2022: 16.5%) of the estimated assessable profits for the year ended 31 December 2023.
- (iv) The provision for Australia, New Zealand and Indonesia Profit Tax is calculated by applying at 30%, 28% and 25%, respectively, (2022: 30%, 28% and 25%, respectively), of the estimated assessable profits for the year ended 31 December 2023.
- (v) Certain subsidiaries were granted lower tax rates by the state tax bureau in accordance with the PRC CIT law and the corresponding transitional tax concession policy and "The notice of tax policies relating to the implementation of the western China development strategy".
- (vi) Certain subsidiaries were granted tax exemptions in accordance with the policy of "The notice of preferential tax policy for preliminary processing of agriculture products".

## 9 DIVIDENDS

	Notes	2023 RMB'000	2022 RMB'000
Declared and paid during the year			
Equity dividends on ordinary shares		<u>1,588,015</u>	<u>1,506,669</u>
Proposed for approval at the Annual General Meeting (the "AGM")			
Equity dividends on ordinary shares:			
Proposed final — RMB0.489 (2022: RMB0.402) per ordinary share	(a)/(b)	<u>1,924,358</u>	<u>1,589,989</u>

Notes:

- (a) The proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company's shareholders at the forthcoming AGM.
- (b) This dividend was not recognised as a liability in the consolidated financial statements for the year ended 31 December 2023.

## 10 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

### (a) Basic earnings per share

The basic earnings per share for the year is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share amount is as follows:

	<b>2023</b>	2022
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	3,955,196	3,953,179
Effect of share options exercised	2,247	1,203
Effect of shares purchased	<u>(15,204)</u>	<u>(3,119)</u>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	<u><u>3,942,239</u></u>	<u><u>3,951,263</u></u>

### (b) Diluted earnings per share

The diluted earnings per share amounts is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of shares used in calculating the diluted earnings per share amount is as follows:

	<b>2023</b>	2022
	<i>Number of</i>	<i>Number of</i>
	<i>shares</i>	<i>shares</i>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	3,942,239	3,951,263
Effect of dilution — Weighted average number of ordinary shares:		
Outstanding share options	7,015	10,519
Outstanding share awards	<u>7,221</u>	<u>7,300</u>
Weighted average number of ordinary shares for the purpose of the diluted earnings per share calculation	<u><u>3,956,475</u></u>	<u><u>3,969,082</u></u>

## 11 TRADE AND BILLS RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bills receivable	211,682	133,536
Trade receivables	3,558,043	3,674,910
Loss allowance	<u>(101,121)</u>	<u>(148,204)</u>
	<u><b>3,668,604</b></u>	<u><b>3,660,242</b></u>

The Group normally grants credit limits to its customers which are adjustable in certain circumstances. The Group closely monitors overdue balances. 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. The Group does not hold any collateral or other credit enhancements over its trade receivables. The trade receivables are non-interest-bearing.

The Group sold non-recourse trade receivables to third parties for cash proceeds. These trade receivables have been derecognised from the consolidated statement of financial position, because the Group transfers substantially all of the risks and rewards, primarily credit risk.

Based on the Group's accounting policy of financial assets, the Group measured bills receivable at fair value through other comprehensive income as at 31 December 2023.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Less than 1 year	3,571,620	3,574,016
1 to 2 years	85,675	68,377
2 to 3 years	10,842	2,747
Over 3 years	<u>467</u>	<u>15,102</u>
	<u><b>3,668,604</b></u>	<u><b>3,660,242</b></u>

## 12 TRADE AND BILLS PAYABLES

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>8,189,298</b>	8,756,459
4 to 6 months	<b>1,144,836</b>	1,263,731
7 to 12 months	<b>104,397</b>	87,887
Over 1 year	<b>60,910</b>	92,558
	<b><u>9,499,441</u></b>	<u>10,200,635</u>

The Group's trade and bills payables are unsecured except as noted below, non-interest-bearing and payable on demand.

Included in the above balances, bills payable with an aggregate balance of approximately RMB825,871,000 (2022: RMB654,421,000) were secured by the pledge of certain of the Group's deposits amounting to approximately RMB276,590,000 (2022: RMB162,321,000). Except for the above, bills payables were unsecured, non-interest-bearing and payable when due within 3 to 6 months.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2023, due to a short-term slowdown in growth rates, declining raw milk prices, and the reorganisation of online and offline sales channels, the dairy product industry faced certain challenges. Nonetheless, in the post-pandemic era, there has been an increasing awareness of nutrition and health. Consumers have higher demands for the nutritional value and quality of milk, demonstrating a resilience in demand for dairy products.

Segments such as organic, low-sugar, low-fat, additive-free, formula optimized, and nutritionally enhanced products have become the new trends in dairy innovation and consumption. With the diversification of sales channels, Mengniu has continuously optimized its channel structures. By tapping into new scenarios and potential channels, the Company aims to effectively reach consumers, resulting in more promising business growth opportunities. Mengniu also makes efforts in digital transformation, technological innovation, improving production efficiency, and reducing production costs. These efforts are aimed at cost reduction and efficiency enhancement, promoting green development and achieving high-quality development for dairy industry in China.

During the year, Mengniu actively responded to external challenges and remained committed to high-quality development based on its “FIRST” strategic objectives. It strengthened its core business, optimized its business structure, and refined its operational management to achieve steady revenue growth and a consistent improvement in operating profit margins. During the year, Mengniu expanded its market share in the liquid milk market. The market share advantage of *Milk Deluxe* continued to expand, achieving double-digit growth in organic series, with continuous optimization of product mix, and there was a significant increase in the market share of room temperature milk beverages. The chilled yogurt business, with a focus on delicious, nutritious, and functional upgrades and innovations, achieved counter-trend growth and maintained the top rank in market share for the nineteenth consecutive year. The growth of the fresh milk business outpaced the industry, with *Shiny Meadow* setting the benchmark for high-end fresh milk quality through its upgraded quality with 4.0g fresh milk protein. The ice cream business focused on development in both domestic and international markets, pushing for extensive innovative breakthroughs.

Mengniu has maintained its leading position within China’s dairy industry by relying on top-quality dairy products. In 2023, based on the strategic approach of “Greener, More Nutritious and Smarter”, Mengniu has continued to pursue multi-faceted development in terms of innovation, brand strength, digitalization and sustainability. Through these concerted efforts, Mengniu is striving to develop and supply a diverse range of “more nutritious” dairy and nutritional products covering the full lifecycle of consumers. Furthermore, Mengniu is dedicated to implementing comprehensive digitalization across the entire industry value chain, from breeding and processing to reaching end consumers, thereby promoting a “smarter” industry transformation. Mengniu also aims to outline a

pathway to guide the entire industry value chain towards the “carbon neutrality” target in a “greener” manner. In addition, Mengniu continues to expand and build its omni-channel operations. It retains well-established brand advantages in offline channels, while also capitalizing on channel transformation trends by deepening its presence in new retail channels. Through a multi-dimensional approach, Mengniu has achieved sales conversion to establish long-term relationships with consumers.

Mengniu insists on pursuing a long-term brand strategy based on its “born to excel” brand proposition. During the period, Mengniu continued to strategically focus on brand building and invest in long-term sports intellectual property (IP) resources. In particular, Mengniu focused on developing the IPs related to the Olympics and World Cup as well as Chinese football, the NBA and other sports events to build a brand image featuring sports, health and happiness. Coupled with Mengniu’s other significant marketing resources, such as its collaboration with the China Space Foundation, this strategic move will comprehensively enhance its global brand awareness, reputation and influence.

Mengniu secured a prominent position in the 2023 “Global Dairy Top 20” list published by Rabobank, ranking in the top eight and solidifying its status as the youngest company within the global dairy industry’s top ten.

## **Business Division Performance**

### ***Liquid Milk Business***

#### ***Room Temperature Product Business***

In 2023, the room temperature business unit of Mengniu seized market opportunities, achieving industry-leading growth in the room temperature liquid milk segment, resulting in a further increase in its market share.

Driven by consumers’ increasing demands for nutritional health and immunity, the demand for room temperature pure milk remained resilient. Sales of *Milk Deluxe* and Mengniu pure milk continued to outpace industry growth. During the year, the room temperature business unit diligently advanced the *Milk Deluxe* brand’s “better” proposition by focusing on product innovation and brand communication. This strategic move generated enhanced brand equity. Besides, focusing on *Milk Deluxe* desert organic milk, which is “Desert organic is better organic”, Mengniu also launched a slim wooden-like packaging product series (苗條如木裝) during the year, aiming to reduce the carbon footprint, while conveying the concept of sustainability to consumers. These efforts have driven the market share advantage of *Milk Deluxe* to expand, achieving double-digit growth in organic series, with continuous optimization of product mix.

Attributable to the gradual rebound in offline retail store traffic and outdoor consumption scenarios, coupled with the positive impact of newly introduced products under the *Fruit Milk Drink* and *Suan Suan Ru* brand, the room temperature milk beverages recorded positive growth in the sales and recorded significant increase in the market share of these product categories. The room temperature yogurt brand, *Just Yoghurt*, remained committed to its brand differentiation strategy based on the brand proposition of “pure and authentic” and “just pure and truly delicious (純真•真好)”, emphasizing its selection of quality ingredients and minimalistic formulations. The diamond shaped packaging product series has also launched a new plain yogurt which meets EU standards, featuring zero artificial flavors, zero colorants, zero gelatin and zero milk powder. This product emphasizes the nutritional and health benefits of yogurt through a purer formula.

In terms of market expansion, the room temperature business unit has continued to promote the transformation of the RTM channel to optimize the channel structure. Online sales demonstrated steady growth, solidifying the Group’s position as the number one player in online sales within the room temperature product segment. The market share of the home delivery service also remained at the top, with the average growth rate outpacing the industry for three consecutive years. Mengniu also actively expanded its membership recruitment in new retail channels, with its number of online members exceeding 74 million. Furthermore, the room temperature business unit has continued to penetrate rural markets. During the year, with industry-leading growth in market share at the township level, the room temperature business has extended its presence to 26,000 townships, covering an extensive network of over 800,000 distribution points. This concerted effort has further increased its market penetration rate at the township level.

### *Chilled Product Business*

During the year, the chilled product business division of the Group refined its product categories to enhance category value, and launched new products to seize growth opportunities. Despite a downturn in industry demand, the chilled business of Mengniu achieved counter-cyclical growth and ranked first in terms of market share for the nineteenth consecutive year, extending its leading position in market share. The probiotic drinks segment sustained its market share growth, steadily narrowing the gap with the leading brand and reinforcing its position as the second largest brand in the segment.

Operationally, with a focus on restoring category value and enhancing product quality, the entire product line of *Yoyi C* probiotic drinks exclusively adopted a proprietary probiotic strain tailored for the Chinese population, providing consumers with more superior chilled products. In addition, by leveraging trends in category growth and emphasizing product innovation, there was a significant increase in the growth rate of new products, which improved the profit structure of these products and garnered widespread praise from consumers and channel partners. From a corporate efficiency perspective, the Group continued to enhance its efficiency through the RTM strategy, by integrating branches and subsidiaries with regional sales management, and centralizing factory layouts for scalability.

In response to the demand from Chinese consumers for yogurt, the chilled business division is dedicated to continuous innovation across product categories, brands, and channels. This commitment aims to drive a resurgence in rapid growth within the chilled sector, positioning it as a core driver for future expansion in the dairy industry.

### *Fresh Milk Business*

In 2023, adhering to a dual-brand strategy that effectively targeted both the mid-to-high end and basic segments, the fresh milk business achieved significant growth surpassing the industry performance and recording profit for the third consecutive year. In particular, *Shiny Meadow*, a high-end brand that is well recognised for its nutritional value, delightful taste and health-oriented quality, solidified its position as the market leader in the high-end fresh milk market. In addition, the sub-brand, *Xiaoxianyu*, targeting youngsters with a focus on light fresh milk, recorded exceptional annual sales growth in the mid-to-high end fresh milk market with robust performance in convenience store channels.

The fresh milk business division has kept abreast of market demand and continued to introduce new products to meet the diversified needs of consumers. During the year, *Shiny Meadow* was fully upgraded to 4.0 fresh milk, using 1nm micro-membrane freshness-locking technology to lock in 4.0g of fresh milk protein and preserve nutrients, leading a nutritional upgrade in the product category and driving good sales growth. *Shiny Meadow* also pioneered the first British 4.0 Fresh Jersey Milk (英倫4.0娟珊鮮牛奶) in the industry, further consolidating its leading position in the high-end market. In an effort to explore the “fresh milk+” concept, *Shiny Meadow* expanded into the coffee market through a partnership with Seasaw Coffee, jointly launching a cold brew fresh coffee latte made with 100% raw milk.

The basic fresh milk of Mengniu has consistently held the top market share in the basic fresh milk segment for three consecutive years. *Modern Meadow's* 35+ series launched Daily Bone Strength Boost (每天骨力), a high-calcium milk, and Yang Yan (養妍), milk enriched with iron and zinc, catering to the growing functional nutritional needs of the mature demographic in the basic market.

In terms of channel performance, the fresh milk division has maintained its leadership in both online and offline channels, and further enhanced the strategic collaboration with major channels. During the year, the fresh milk business continued to rank number one in terms of market share at Yonghui, Walmart, Sam's Club, and Hema, as well as on JD.com and Taobao Maicai. Moreover, the fresh milk business saw significant year-on-year growth in sales on Tmall and Pupu.

### ***Milk Formula Business***

On 22 February 2023, new national standards for infant milk formula were officially implemented, imposing more stringent and rigorous requirements on enterprises and products. This represents both challenges and opportunities for the milk formula industry.

During the year, Mengniu's domestic infant formula business focused on developing the *Reeborne* brand, and continued to refine the layout of the new national standard product lineup. The *Reeborne* Enzhi (恩至) product series, the flagship product line, is the first to add MLCT structured lipids in the world, and has driven sales across all channels through content marketing and interest-based e-commerce, achieving a strong growth in online sales. In addition, the new national standard product lineup also includes *Reeborne* Jingzhi (菁至), the world's first infant formula product using a desert organic milk source; *Chuai Niuniu* (初愛牛牛) with high lactoferrin content; *Reeborne* Qinyou (親悠); *Reeborne* Qinyi (親益); *Duolaxiaoyang Chuci* (朵拉小羊初賜), a high-end infant goat-milk powder; *Reeborne* Kiemember, an original directly imported product; and *Reeborne* Enzhi (恩至), a four-stage milk formula using China's first self-developed HMO, catering to a variety of consumer demands.

During the year, *Bellamy's* achieved strong growth in sales with improved efficiency in brand operations, price management, channel execution and supply chain operations. *Bellamy's* continued to reinforce its leading position in organic baby food from Australia. For complementary foods, *Bellamy's* continued to innovate. During the year, it launched a series of organic walnut oil, organic flaxseed oil and organic baby noodles to complete its product slate. In terms of sales, *Bellamy's* seized the opportunity arising from the recovery of cross-border channels, maintaining its position as the number one cross-border e-commerce brand for organic milk formula. In terms of distribution, it expanded its new cross-border business cooperation channels to include Aiyingshi and Hema, and achieved growth in both global trading and the Southeast Asia market, which it has been proactively exploring. These efforts have contributed to strong sales growth.

For nutritional products, as Chinese society ages, the adult milk formula segment has great potential. During the year, *Yourui's* (悠瑞) high-end products comprehensively upgraded their exclusive formula to include whey protein — which is more suitable for middle-aged and elderly people — supplemented by calcium citrate or milk calcium, medium and long chain triacylglycerol (MLCT), and a combination of vitamins and minerals such as magnesium and selenium, providing more suitable nutritional solutions for middle-aged and elderly. Based on the exclusive formula, we have launched upgraded products targeting mobility, blood sugar, intestinal tract and cardiovascular health, as well as other metrics for middle-aged and elderly consumers.

### ***Ice Cream Business***

In 2023, as the ice cream market steadily expanded in China, there was a marked increase in consumer demand for products that were healthy, natural, and pure. The industry also showed trends with seasonal variation, multi-scenario adaptability, health orientation and online sales channel integration. Based on evolving consumer trends and demands, the ice cream business division continued to innovate and upgrade its brands, including *Suibian*, *Deluxe*, *Mood for Green* and *Ice+*, in terms of flavor profiles, consumption scenarios and consumption methods. This strategic approach has enabled the Group to innovate and explore novel consumption scenarios for its ice cream products, showing its capacity for innovation across both its own brands and collaborating branded products, thereby rapidly raising the product influence and brand reputation.

During the year, *Suibian* reinforced its leadership in the chocolate ice cream market with its billion-level bestseller, the Strawberry Soft Core Crispy Skin ice cream (軟芯莓莓), captivating consumers' palates. The *Suibian Gold Label* (隨變•金標) series, distinguished by its use of selected imported chocolate, fresh milk and high cocoa contents of 72% and 52%, refined the landscape of the chocolate ice cream market while expanding its brand influence through collaborations with top IPs such as Universal Studios. *Mood for Green* focused on expanding its bean-flavoured ice cream series, embodying the brand proposition of “a bite of nature (一口大自然)” and promoting a philosophy of green, natural, and healthy refreshment. The enduring classic, Green Shasha, has been a hot seller and led the growth of this product category for twenty years. *Deluxe*, Mengniu's premium brand, underwent a significant rebranding during the year, focusing on purity and taste as its key brand attributes. By employing exceptional craftsmanship, straightforward recipes and authentic ingredients without stabilisers or additives, *Deluxe* introduced ten new products across three series. Continuing to unlock the brand's potential, *Deluxe* ventured further into cross-brand collaboration with Maotai, launching three new products: Maotai Yogurt Ice Cream, Maotai Green Tea Ice Cream, and Maotai Blueberry Sorbet, all of which have become best-sellers.

The ice cream business division has continuously strengthened its store expansion and broadened its market and product coverage by focusing on enhancing channel infrastructure, reinforcing retail control in key urban markets and accelerating expansion into county and township markets. Through diversified marketing initiatives in outdoor channels including neighborhoods, wholesale outlets, campuses and shopping malls, we have strived to increase our end-market sales. Furthermore, we have actively sought business opportunities in diversified channels, including new retail, specialty channels and intelligent retail, leading to a year-on-year increase in end-market coverage and enhanced channel management.

The overseas ice cream business continued to make breakthroughs. Driven by the product innovation, the strategic use of social media and the expansion of in-store sales, *Aice* has seen a notable enhancement in product impact, brand reputation, and its channel network. This strategy has led to strong growth in overall sales revenue and a significant increase in profit margins. It ranked number one in market share in Indonesia and number three in the Philippines. Moreover, it has expanded into Indochina Peninsula markets such as Vietnam and Thailand.

### ***Cheese Business***

The cheese industry and the cheese consumption market in China remain in the early stages of development and still have significant growth potential. With the gradual change in Chinese consumers' consumption habits, there has been an initial trend of structural upgrading from "drinking milk" to "eating milk", opening up a long-term development opportunity for cheese consumption.

Shanghai Milkground Food Tech Co., Ltd. (600882.SH) ("Milkground"), a leading cheese company in China, continued to rank first in terms of domestic cheese market share, making its comprehensive advantages stand out more. During the period, *Milkground* deepened its product innovation efforts and continued to expand from "children's snacks" to "adult snacks", from "snacking" to "catering" scenarios, and from "processed cheese" to "original cheese", creating a dual development model targeting both retail and enterprise customers. *Milkground* has solidified its number one market share in the cheese sticks segment, and enriched its product portfolio with the launch of "Organic Cheese Sticks" and an upgraded version of "Golden Cheese Sticks (金裝奶酪棒)" to cater to the diversified demand of consumers. In addition, *Milkground* launched "Mousse Cup Cheese" and "Cheese Granules (奶酪小粒)", a new high-end casual product targeting urban white-collar workers, while also diversifying the room temperature cheese product offerings with three new casual products of the Cheese Time (芝士時光) series. Furthermore, *Milkground* introduced the new products targeting families, "Hallo Honey Grilled Cheese" and "Spreadable Cream Cheese", and took a strategic step towards domestically produced original cheese by launching a domestically produced mascarpone, thereby setting a new benchmark for domestic cheese products.

The cheese business has significantly focused on expanding into the catering sector, utilising domestic capabilities with the aim of becoming the “professional dairy brand” of choice for China’s catering industry. Capitalising on its superior milk sources, the cheese business has persistently engaged in the research and development of deep-processed dairy products, committing to the principles of “professionalism, innovation, and service” to develop a comprehensive product matrix for the catering industry. During the period, Mengniu launched its first in-house produced light cream and pioneered the first domestically produced fermented butter by a dairy enterprise in China, further solidifying its leading position in the domestic creamy cheese product market. Moreover, mascarpone products have been upgraded by incorporating various international leading technologies.

### **Innovative Business**

In the frontier field of nutrition, Mengniu has established a first-mover advantage. In October 2023, Mengniu’s independently developed HMO (that is, “human milk oligosaccharide”, which is the main component in breast milk and has functions such as regulating immunity, helping brain development and regulating intestinal flora) passed the safety assessment of the Ministry of Agriculture and Rural Affairs of China and a technical review of the National Health Commission. Mengniu became the first Chinese dairy company to successfully independently develop HMO and obtain approvals from Chinese regulatory authorities. HMO will be industrialized in the future. In December 2023, Mengniu launched *Reeborne* Enzhi series 4, which was the first milk formula product to use HMO that was independently developed in China, and was currently the only milk formula product to use the two innovative ingredients of HMO and MLCT that were independently developed in China.

In February 2023, Mengniu launched China’s first liquid protein nutritional supplement, *M-ACTION* Sports Protein Drink, entering the field of sports nutrition. *M-ACTION* is a high-end professional brand of Mengniu focused on Chinese sports nutrition. It aims to create a professional sports nutrition brand for sports and fitness enthusiasts in China. *M-ACTION* has a top scientific research team and sports function laboratory, focusing on three major areas: basic research and product development of sports nutrition, exercise ability assessment and sports nutrition. It deploys industry development with forward-looking strategies. In particular, the *M-ACTION* Sports Function Evaluation Center (邁勝運動機能測評中心) uses international advanced evaluation and rehabilitation equipment to provide athletes with international gold standard testing and evaluation of sports biomechanics and sports physiology, and it helps them comprehensively understand their body composition and sports ability in multiple dimensions, including body composition, energy metabolism, cardiopulmonary function reserves, movement patterns and muscle activity strategies, etc.



As a leading brand of sports nutrition, *M-ACTION* cooperates with leading sports resources, sponsors professional events and helps athletes improve their competitive performance and recover after exercise. *M-ACTION* has cooperated with the China Triathlon Association to provide nutritional supplements to the Chinese triathlon team. In addition, *M-ACTION* has entered into strategic cooperation with marathon events such as Wuxi Marathon, as well as cross-country races such as Tsaigu and Hood to Coast, to provide professional sports nutrition supplements for elite athletes and mass athletes.

## **Quality Management**

In 2023, by taking “Creating a new Mengniu” and FIRST blueprint as its guidance and the “World-class Quality” strategy as its goal, as well as focusing on continuing to deepen quality management system 3.0, the Group reinforced its quality culture and improved and consolidated the long-term mechanism of its management system, which laid a foundation for the healthy development of its quality management.

In terms of system certifications, the Group continued to hold seven system certifications, including ISO9001, HACCP, GMP, FSSC22000, BRC, IFS and SQF, covering 63 factories with a 100% passing rate. In particular, the coverage rate of the ISO9001 factory certification is 100%; the coverage rate of the HACCP factory certification is 92%; the coverage rate of the FSSC22000 factory certification is 44%; and the coverage rate of the GMP factory certification is 38%. Five factories in the fresh milk business division acquired two system certifications: BRC and IFS.

In terms of product certification, the Group added approval for the use of the student milk product label license for fermented milk. The student milk product label license covers three major categories: sterilized milk, formulated milk and fermented milk. It has valid organic certificates for 14 products, including *Deluxe*, pure milk, skim milk, fresh milk, children’s milk, cheese and other categories. Nine major product categories maintained EU product standard certification, including sterilized milk, formulated milk, fermented milk, chilled drinks, beverages, processed cheese, infant formula and formulated milk powder. The Group maintained its position as the only enterprise in the industry that has passed EU product certification for all categories. *Shiny Meadow* A2 products and *Xiaoxianyu* A2 products have obtained the first domestic A2 dairy processing and raw milk production certificates.

## **Milk Source Management**

In 2023, Mengniu adhered to the principle of “strengthening milk and promoting agriculture”, actively fulfilled its social responsibilities and helped its ranch partners reduce costs, increase efficiency, and facilitate a sustainable development of the industrial chain through technical services, procurement cost reduction, financial support and policy assistance.

The Group strives to integrate the principles of sustainable development into its milk source management efforts. On the supplier management of raw milk, Mengniu has established a comprehensive ranch quality management system and a food safety risk prevention management system in line with legal and regulatory frameworks and the Danish “garden style” advanced farm management system, ensuring the quality and safety of raw milk. In addition, Mengniu has enhanced the continuous improvement of quality management capabilities of ranches through technical services, digital applications, and talent empowerment. In 2023, all of Mengniu’s partner ranches strictly adhered to the “Mengniu Ranch Quality and Safety Management System (《蒙牛牧場質量安全管理制​​度》),” which subjected them to stringent access controls.

In terms of upstream carbon emission management, Mengniu collaborates with ranch suppliers to conduct energy conservation and emission reductions in various aspects including fossil energy substitution, clean energy use, intelligent water and electricity management, intelligent biological fermentation cogeneration, ecological carbon sequestration in agriculture, forestry and pasture, and manure resource utilization. In terms of animal welfare, Mengniu focuses on the physiological welfare, environmental welfare, psychological welfare and health welfare of dairy cows by carrying out stress prevention and control, quality silage promotion, formula physical examination and comfort improvement. In terms of veterinary drug management, Mengniu has established the “Special Action Plan for the Prevention and Control of Veterinary Drug Risks in Ranches (《牧場獸藥風險防​​控專項行動方案》)” to encourage cooperative ranches to carry out veterinary drug reduction actions. The pass rate of the national raw milk veterinary drug residue supervision and sampling inspection reached 100%, and 46 cooperative ranches obtained the “National Veterinary Antibacterial Drug Use Reduction Action Qualified Pilot Farm (全國獸藥抗​​菌藥使用減量化行動試​​點達標養殖場)” certification.

### **Corporate Digital Strategy**

In 2023, Mengniu continued with its digital transformation. In terms of smart production, Mengniu built the world’s first fully intelligent dairy factory in Ningxia, which commenced operation in May. This factory is the product of Mengniu’s accumulated achievements in the fields of automation, digitization and intelligence over the years. The factory enables 100 people to produce an annual output of 1 million tons with a value of RMB10 billion, representing the highest annual human efficiency ratio in the global dairy industry and a major step forward for the high quality development of China’s dairy industry.

While continuing to improve the construction of operational and data platforms, Mengniu cooperated with several major domestic technology companies to release the artificial intelligence-(AI) driven digital intelligence dual flywheel strategy in August 2023, marking a new milestone in Mengniu’s digital transformation. The AI-driven supply-side and consumption-side dual flywheels are Mengniu’s smart brain, representing its new vision for digital intelligence strategy. By harnessing the AI-driven double flywheel with the synergies with AI technologies, the Group has upgraded the digital intelligence capabilities of the upstream and downstream industrial chains. From the supply side to the consumption side, and from refined production to personalized services, the business has been innovatively upgraded in an all-round way, bringing Mengniu into stage 3.0 of its digital intelligence strategy and laying a solid foundation for long-term growth.

Leveraging digital intelligence to drive nutrition and health, Mengniu introduced the world’s first model in the nutrition and health field: MENGNIU.GPT. Mengniu established a digital and intelligent nutrition and health management platform, “WOW Health+”. “WOW Health+” is driven by AI technology and is committed to providing families with personalized, long-term health services for the entire family of consumers. After its launch, it has garnered widespread attention from the industry and leading media, receiving various industry awards and becoming an innovative leader in the field of nutritional and health services.

## **FINANCIAL REVIEW**

### **Revenue**

Due to the Group’s efforts in product innovation and upgrades, as well as its active exploration of various online and offline channels that led to an continuous increase in market and product coverage, the revenue of the Group amounted to RMB98,624.0 million (2022: RMB92,593.3 million) for the year ended 31 December 2023, representing a year-on-year increase of 6.5%.

### **Gross Profit**

Due to a year-on-year decrease in raw milk prices and a year-on-year improvement in product structure during the year, the Group’s gross profit for the year increased to RMB36,640.1 million (2022: RMB32,689.8 million), and the gross profit margin increased by 1.9 percentage points to 37.2% (2022: 35.3%) as compared with last year.

## **Operating Expenses and Operating Profit**

As the Group actively adopted channel sales expansion and marketing execution strategies during the year in response to a resurgence of outdoor consumption, the selling and distribution expenses increased by 12.7% to RMB25,192.2 million (2022: RMB22,347.3 million), accounting for 25.5% (2022: 24.1%) of the Group's revenue. Product and brand marketing expenses during the year increased by 36.9% to RMB7,522.7 million (2022: RMB5,495.1 million), accounting for 7.6% of the Group's revenue (2022: 5.9%). The increase was mainly due to an increase in offline sales and marketing execution activities.

Administrative expenses increased by 6.8% to RMB4,742.5 million (2022: RMB4,441.9 million), accounting for 4.8% (2022: 4.8%) of the Group's revenue, which remained flat as last year. Educational surcharges, city construction tax, and other taxes included in other expenses amounted to RMB534.8 million (2022: RMB477.4 million), representing a year-on-year increase of 12.0%.

During the year, total business operating expenses, including selling and distribution expenses, administrative expenses and educational surcharges, city construction tax and other taxes, increased by 11.7% to RMB30,469.5 million (2022: RMB27,266.6 million), accounting for 30.9% of the Group's revenue (2022: 29.4%). Attributable to the significant increase in gross profit margin, operating profit (gross profit less business operating expenses) amounted to RMB6,170.6 million (2022: RMB5,423.2 million), representing a year-on-year increase of 13.8%; operating profit margin was 6.3% (2022: 5.9%), representing a year-on-year increase of 0.4 percentage point.

## **EBITDA and Net Profit**

During the year, the Group's earnings before interest, taxes, depreciation, and amortization ("EBITDA") improved by 4.2% to RMB9,506.7 million (2022: RMB9,120.5 million) with EBITDA margin at 9.6% (2022: 9.9%), representing a year-on-year decrease of 0.3 percentage point. The decrease of the EBITDA margin was mainly due to the decrease in the share of results of associates during the year and a one-off gain of approximately RMB241.5 million from the disposal of a subsidiary in 2022.

Profit attributable to owners of the Company decreased by 9.3% year-on-year to RMB4,809.2 million (2022: RMB5,303.0 million). The decrease was mainly due to the reasons mentioned above, the decrease in net finance income (interest income net of finance cost) and an increase in income tax. Basic earnings per share were RMB1.220 (2022: RMB1.342), down by 9.1% year-on-year.

## **Income Tax Expenses**

For the year ended 31 December 2023, income tax expenses of the Group totalled RMB1,425.2 million (2022: RMB1,317.5 million), representing a 8.2% increase year-on-year. The effective income tax rate was 22.6% (2022: 20.3%), up by 2.3 percentage points year-on-year, which was mainly due to the decrease in the share of results of associates not subject to taxation during the year, as well as an increase in the withholding taxes of RMB72.2 million arising from the distribution made by domestic subsidiaries during the year.

## **Capital Expenditure**

For the year ended 31 December 2023, the capital expenditure of the Group amounted to RMB4,171.8 million (2022: RMB5,073.5 million), representing a decrease of 17.8% year-on-year. Of the total, RMB4,134.7 million was spent on building new production facilities and modifying existing ones as well as related investments, and the investment in equities amounted to RMB37.1 million.

## **Working Capital, Financial Resources and Capital Structure**

For the year ended 31 December 2023, the Group recorded net cash inflow from operating activities of RMB8,349.3 million (2022: RMB8,333.1 million), representing an increase of 0.2% as compared with last year.

As of 31 December 2023, outstanding interest-bearing bank and other borrowings of the Group decreased to RMB37,410.8 million (31 December 2022: RMB39,108.6 million), of which interest-bearing bank and other borrowings repayable within one year amounted to RMB9,806.9 million (31 December 2022: RMB9,094.7 million). More than 90% of the interest-bearing bank and other borrowings were bearing interest at fixed rates. The decrease in interest-bearing bank and other borrowings was mainly due to the repayment of foreign currency debts due.

Net borrowings (total amount of interest-bearing bank and other borrowings net of cash and bank balances, but excluding long term time deposits in other financial assets) of the Group as of 31 December 2023 were RMB24,967.0 million (31 December 2022: RMB26,342.8 million).

The Group's total equity as of 31 December 2023 amounted to RMB50,651.7 million (31 December 2022: RMB50,051.8 million). Its debt-to-equity ratio (total amount of interest-bearing bank and other borrowings over total equity) was 73.9% (31 December 2022: 78.1%).

Finance costs of the Group were RMB1,569.3 million (2022: RMB1,125.3 million), or approximately 1.6% (2022: 1.2%) when expressed as a percentage of revenue, representing an increase of 0.4 percentage point year-on-year.

## PRODUCTS

Adhering to the DTV (Design to Value) concept, Mengniu takes a customer-orientated approach to product development, resulting in designs that are more closely aligned with consumer preferences. Based on the “Leading Strategy”, Mengniu envisions “Better Nutritional” outcomes through the realization of “Good Sources”, “Good combinations” and “Good Personalized Choices”. By leveraging its global resource advantage and pioneering international technologies, Mengniu has continuously strengthened its research and development capabilities. It endeavors to develop rare ingredients and achieve their commercialization, aiming to lead the industry with exceptional, premium and differentiated products. Mengniu also optimizes its diverse product slate to span an entire lifecycle, catering to personalized needs of different consumer segments.

The Group’s principal businesses are divided into liquid milk, ice cream, milk formula and cheese products, with the following performance during the year:

### Liquid milk

Revenue amounted to RMB82,071.1 million (2022: RMB78,269.3 million), accounting for 83.2% of Mengniu’s total revenue (2022: 84.5%).

### UHT milk

*Milk Deluxe* introduced the “Dream Cap” upgraded packaging product in 2019, heralding the *Milk Deluxe* 3.0 era. The organic pure milk products under this brand have received dual certification under the organic standards of both China and the European Union. Our key product *Milk Deluxe* Desert Organic Pure Milk, which is based on the concept of “organic in the desert, a better organic,” contains 4.0g of protein and 130mg of natural calcium per 100ml. The product is packaged with craft materials and features plant-based bottle caps, resulting in an 8% reduction in carbon emissions compared to conventional packaging, in keeping with the brand’s environmentally friendly and sustainable principles.

Mengniu’s UHT pure milk line includes *Selected Meadow*, *Mengniu* pure milk, high-calcium milk, low-fat high-calcium milk and skimmed milk. In particular, *Selected Meadow* introduced an A2  $\beta$ -Casein Pure Milk Dream Cap product in 2023. With 120mg of naturally occurring native calcium per 100ml, this product is sourced from premium and rare A2 raw milk. In 2024, *Mengniu* launched a new lactose-free milk product under its parent brand to meet the needs of Chinese consumers who are lactose intolerant.

Key Products:

*Milk Deluxe 4.0g Desert Organic Pure Milk*

*Selected Meadow A2  $\beta$ -Casein Pure Milk*

*Mengniu Lactose-free Milk*

### **Room Temperature Yogurt**

*Just Yoghurt* focused on breakthroughs in differentiation and a return to “pure” and “additive-free” demands. Key products include *Just Yoghurt* Blueberry Flavored Yogurt in PET bottles. This product is made of high latitude (42 degrees north) cold climate blueberries and fresh milk from specific farms, delivering on the motto “Just Yogurt, Just Ingredients, Truly Delicious”. In 2024, *Just Yoghurt* launched a new additive-free Tetra Pak original flavor yogurt product, featuring “zero artificial flavors, zero colorants, zero gelatin, zero milk powder”. The product has passed EU standard certification, demonstrating Mengniu’s insistence on quality.

Key Products:

*Just Yoghurt Just Yoghurt*

*Just Yoghurt Additive-free Original Flavor Yogurt*

### **Room Temperature Milk Beverage**

Key products under the *Fruit Milk Drink* brand include “Orange Blossom Honey Pomelo + Aloe Bits” and “Jasmine Flavored + Green Grape Bits” fruit flavor milk shake yogurt drinks. This series is fermented from premium raw milk with low-fat content, targeting the expanding population of young Generation-Z consumers. In 2024, *Fruit Milk Drink* launched a new series of milk tea drinks, including “Earl Gray Tea Flavor” and “Melon Oolong Flavor”, featuring “zero added milk powder, zero added non-dairy creamer and zero trans fatty acids” and made of quality raw milk.

Key Products:

*Fruit Milk Drink PET Blossom Fruit Yogurt Smoothies*

*Fruit Milk Drink Milk Tea Drinks*

*Suan Suan Ru Probiotic Fruit Tea*

## **Chilled Yogurt**

To meet the growing demand for nutrition, Mengniu has significantly enhanced its plain yogurt brand, launching the *Fresh Yogurt* (鮮活酸奶), characterized by its use of fresh milk sources, premium strains, and cutting-edge processing methods, setting a new benchmark for nutritious yogurt products of a higher standard. To appeal to taste preferences, Mengniu has fully invested in developing its premium brand, *YO!FINE DIARY*, positioned as “Yogurt that tempts you to savour every last spoonful (好吃到舔勺的酪酸奶)”. The Osmanthus and Water Chestnut Yogurt (桂花馬蹄酪) and Forest Avocado Yogurt (森林牛油果酪) have been well-received by consumers. In terms of functional nutrition, Mengniu has revitalized the brand value of *Champion Jianzihao* (健字號), positioning it as the “pioneer in Chinese healthcare yogurt” with the introduction of products designed to boost immunity.

Key products:

*YO!FINE DIARY Yogurt*

*Mengniu Fresh Yogurt* (蒙牛鮮酸奶)

*Champion Jianzihao* (健字號) *immune booster series*

## **Chilled Milk Beverage**

*Yoyi C* zero sucrose products, the flagship product in the chilled probiotic drink category, are rich in live probiotics that effectively promote intestinal motility. Their zero sucrose content ensures a low calorie count and a refreshing taste, distinguishing them from other products. Their eco-friendly packaging represents Mengniu’s first foray into label-free products, actively aligning with environmental policies and dual-carbon objectives. The newly launched *Yoyi C* “Smooth (暢快)” series featuring zero sucrose and zero fat, includes 5 strains of complex probiotics, patented for their compatibility with the Chinese population, and 2 essential dietary fibers, efficiently tackling intestinal health issues.

Key products:

*Yoyi C* zero sucrose product series with eco-friendly packaging

*Yoyi C* Active Probiotic Smooth Drinks (優益C活性益生菌暢快產品)



## **Fresh Milk**

The key product of our high-end brand, *Shiny Meadow*, is 4.0 fresh milk, which uses 1nm micro-membrane freshness-locking technology to lock in 4.0g of fresh milk protein and preserve more original nutrients. To consolidate our high-end product line, we launched 4.0 Jersey fresh milk. This milk comes from rare Jersey cattle which accounts for only about 1% of the domestic stock. *Xiaoxianyu*, a sub-brand of *Shiny Meadow*, has expanded to the field of light fresh milk and accelerated its expansion into the youth market. In addition, *Modern Meadow* 35+ series launched “每天骨力” high-calcium milk and “養妍” iron-zinc milk to meet the functional nutritional needs of more mature people in the basic market.

Key Products:

*Shiny Meadow 4.0 fresh milk*

*Shiny Meadow 4.0 Jersey fresh milk*

*Xiaoxianyu*

*Mengniu Modern Meadow fresh milk*

## **Ice Cream**

Revenue from the ice cream business amounted to RMB6,026.3 million (2022: RMB5,652.4 million), accounting for 6.1% of Mengniu’s total revenue (2022: 6.1%).

*Suibian* has introduced a range of new flavors, including Strawberry, Classic Vanilla, Crispy Oatmeal, Creamy Chocolate and *Suibian* Gold Label. In particular, the *Suibian* Gold Label series has made a breakthrough in manufacturing process. It is made of imported chocolate and raw milk with high cocoa content of 72% and 52% and quality raw milk content of  $\geq 40\%$ , creating a new standard in the chocolate ice cream industry.

Key Products:

*Suibian*

*Deluxe*

*Mood for Green*

*Ice+*

*AICE*

## **Milk Formula**

Revenue from the milk formula business amounted to RMB3,801.7 million (2022: RMB3,862.0 million), accounting for 3.9% of Mengniu’s total revenue (2022: 4.2%).

The products of Mengniu *Reeborne* include the *Reeborne* Enzhi (恩至) series, the first in the world to add MLCT structured lipids; *Reeborne* Jingzhi (菁至), the world's first infant formula product using a desert organic milk source; *Reeborne* Qinyou (親悠); *Reeborne* Qinyi (親益); *Reeborne* Kieember, the original directly imported product; and *Reeborne* Enzhi (恩至) 4-stage milk formula using China's first self-developed HMO. *Bellamy's* launched a series of products including organic walnut oil, organic flaxseed oil and organic baby noodles.

In terms of nutritional products, *Yourui* bone strength formula (Basic Version) innovatively adds colostrum basic protein (CBP), while *Yourui* bone strength formula (Exclusive Version) further adds Ga-HMB in an effective amount to achieve “bone-joint-muscle” all-round mobility protection. In addition, *Yourui* also launched or upgraded Mengniu Shunyi (順宜), Mengniu Xinpei (心沛) and other products for intestinal and cardiovascular health.

Key Products:

*Reeborne*

*Bellemy's*

*Yourui*

## **Cheese**

Revenue from the cheese business amounted to RMB4,357.3 million (2022: RMB1,321.1 million), accounting for 4.4% of Mengniu's total revenue (2022: 1.4%).

Key products under the *Milkground* brand include Organic Cheese Sticks, which utilizes organic milk sources, organic processing, and organic certification. In addition, *Milkground* has introduced a premium leisure product targeting urban white-collar professionals, the “Mousse Cheese Cup”, as well as cheese granules. In the field of family table cheese, new products such as spreadable cream cheese were launched.

In terms of To B cheese business, *Milkground* has upgraded its whipping cream products, which is widely used for Western cuisine, baking, tea beverages, industrial use, and Chinese cuisine. In addition, *Milkground* also adopts a unique and innovative hot filling process to manufacture and launch domestic mascarpone original cheese. The catering channel has continuously improved the product matrix and launched *Ai Shi Chen Xi* (愛氏晨曦) Whipping Cream during the year, which adopts advanced butterfat processing technology and INF sterilization technology. It has high whipping properties, strong stability and melts in the mouth, giving it a competitive edge in the baking industry. Fermented butter was also launched in the market, using European fermentation technology and adding lactic acid bacteria, which was the first of its kind for domestic dairy companies.

Key Products:

*Milkground organic cheese stick*

*Milkground mascarpone cheese*

*Milkground golden upgraded cheese stick*

*Ai Shi Chen Xi (愛氏晨曦) Whipping Cream*

*Ai Shi Chen Xi (愛氏晨曦) Fermented Butter*

## **PRODUCTION**

Mengniu deploys its production capacity according to the potential of relevant markets and its product strategy. As of 31 December 2023, Mengniu had 45 production bases in China, 2 production bases in Indonesia, 2 production bases in Australia, 1 production base in the Philippines, and 1 production base in New Zealand, respectively. It had a total annual production capacity of 14.04 million tons (December 2022: 12.91 million tons).

## **SUSTAINABLE DEVELOPMENT**

With the continuous implementation of its “GREEN” sustainable development strategy and the dual-carbon strategic goal released in 2022, Mengniu has adopted 15 specific carbon reduction measures covering six major aspects of the entire industrial chain, establishing a “leading strategy” for the green transformation of the dairy industry.

In 2023, the Group released the industry-leading “Mengniu Forest Protection Policy (《蒙牛森林保護政策》)”, “Animal Welfare Policy (《動物福利政策》)”, “Nutrition and Health Policy (《營養健康政策》)” and “Responsible Marketing of Breast Milk Substitutes Policy (《母乳代用品負責任營銷政策》).” Mengniu strives to achieve the goal of “Zero Deforestation by 2030,” by eliminating deforestation risks in the supply chain, and joined the global initiative to grow, restore and conserve one trillion trees (全球植萬億棵樹領軍者倡議) of the World Economic Forum (WEF). So far, the Group has planted 97 million trees in the Ulan Buh Desert, turning over 200 square kilometers of desert into an oasis. During the year, China Modern Dairy, a major milk source partner, and COFCO International Co., Ltd. entered into a letter of intent with respect to a soybean transaction of more than RMB 200 million and with a commitment of “zero-deforestation,” which was the first such soybean order in the Chinese dairy industry.

In the upstream, Mengniu has carried out emission reductions in its upstream pastures through five major measures, including managing and optimizing the cattle herd structure, adjusting the feed ingredient structure, optimizing the manure management model, improving energy utilization efficiency and conducting complementary photovoltaic power generation in pastures. It has created a number of exemplary green ranches and realized carbon reduction of more than 180,000 tons during the year.

In the midstream, the Group has built 30 national-level green factories to achieve industry-leading energy efficiency and water efficiency. The Qujing factory in Yunnan became the first in China's dairy industry to receive both international and domestic zero-carbon factory certifications, achieving carbon neutrality for two consecutive years and setting a benchmark for green production. The Ningxia factory, which commenced operation during the period, is the world's first fully intelligent super factory in the dairy industry and has excellent performance in energy conservation, water-saving and carbon-dioxide reduction, as its energy consumption is 43% lower than conventional factories.

In the downstream, Mengniu has practiced the concept of green environmental protection, optimized packaging materials and designs, and launched a variety of carbon-neutral products as well as green and low-carbon products.

In 2023, Mengniu continued to consolidate and improve its organizational system, institutional system, operational system and safeguard mechanism, continuously and effectively strengthened its compliance management in key areas including corporate governance, listing compliance, privacy protection, anti-trust, overseas compliance, environmental protection, labor and employment, and anti-commercial bribery. During the period, Mengniu was awarded ISO 37301 and GB/T35770 compliance management system certificates issued by China Quality Certification Center and SGS-CSTC Standards Technical Services Co., Ltd. respectively, which signifies that Mengniu's compliance management level has reached both national and international standards, and Mengniu has become the world's first dairy enterprise to be awarded a compliance management system certificate.

During the year, the Group's sustainable development received high recognition both domestically and internationally. The Group's MSCI ESG rating has been raised from A to AA level. It was the only comprehensive dairy company in China to obtain an AA rating. The Group ranked first among Chinese companies in the Collier FAIRR Protein Producer Index and was named the 2023 Forbes Best Employer of the Year in China and the Best Employer for ESG Practices of the Year. It has also been recognized as the "Most Improved Enterprise in the Industry" by S&P Global, reflecting the high level of international recognition for the Group's sustainable development efforts.

## HUMAN RESOURCES

As of 31 December 2023, the Group had a total of approximately 46,064 employees on the Chinese Mainland, Hong Kong, Oceania and Southeast Asia, including approximately 2,556 employees of *Milkground*. During the year, the total cost of employees (including the salaries of directors and senior management personnel) amounted to approximately RMB9,012.2 million (2022: RMB8,657.5 million).

In 2023, the Group focused on its strategic objective of “Creating a new Mengniu” to promote the joint building of an open, inclusive and resilient organization. In terms of accelerating talent training, Mengniu has systematically built a talent development system and accelerated the construction of five future-oriented talent teams, including building a team of leading management talents, cultivating a team of elite professional talents, developing a team of top-notch young talents, strategically retaining a team of international talents, and stimulating breakthroughs from a team of innovative talents.

In terms of employee training, the Group focused on its developmental needs, continued to promote the training of new employees, deepened the cultivation of core capabilities in the workplace, and strengthened the internal training team. Coupled with the construction of Mengniu’s employer brand system and talent pool, Mengniu has improved its visibility and reputation and promptly recruited key talents, which facilitated its business layout and development.

In terms of training of professional and skilled personnel, Mengniu was the first enterprise in China’s dairy industry to obtain dual qualifications for independent recognition of vocational skill levels and independent review of professional and technical titles, as well as the first national-level high-skilled personnel training base for dairy companies. During the year, Mengniu actively implemented the national skilled personnel promotion initiative to build a skilled talent pool for the quality development of the dairy industry and promote the integrated development of the talent industry.

In terms of performance-based remuneration, Mengniu has developed a comprehensive remuneration system that links business performance with a people-oriented approach, and drives high-quality development with competitive remuneration, differentiated performance, diversified incentives, flexible benefits and satisfactory experience. During the year, the Group granted 6,626,176 restricted shares to its employees.

## OUTLOOK

In 2024, the Group will firmly implement the strategy of “Creating a new Mengniu”, based on the value of “consumers are at the heart of all our decisions” and focusing on the three key strategic approaches of “Greener, More Nutritious and Smarter”. For “More Nutritious”, we will develop and provide consumers with diversified dairy products and nutritional products covering the entire life cycle. For “Smarter”, we will further promote the fully digitalization to cover the entire industry chain from feeding,

processing to consumer terminals. For “Greener”, we will lead the entire dairy industry chain towards the goal of “carbon neutrality”, and comprehensively build a “FIRST Mengniu” brand that is beloved by consumers, more international, socially responsible, culturally strong and digitally transformed.

In the face of new trends and changes such as macro-environmental transformation, market reshaping and technological iteration, deepened improvement in efficiency and enhancement in quality profits have become the development focuses of the dairy industry. As the macro environment continues to improve and China continues to introduce more measures to boost consumption, domestic consumer confidence and demand are gradually recovering. In recent years, the nutritional and health needs of Chinese consumers have been growing. The more diversified, functional and precise nutritional needs of various consumers have also brought new consumption growth points and structural consumption upgrades, which will drive the long-term positive development of dairy products and nutritional and health products.

To respond to the new era, new stage and new changes, the Group will firmly promote the implementation of its strategies, focus on R&D innovation, brand building and digitalization, accelerate channel optimization and new business development, refine its product mix, facilitate a balanced business development, and strengthen internal refined management and resolutely promote channel reform. In the face of risks and challenges, the Group will maintain its strategic focus and seize the opportunities, to become a leader of change and continue to create value for its consumers and partners. It will expedite its development to become a globally competitive world-class dairy enterprise, leading the high-quality development of China’s dairy industry.

## **CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 (formerly Appendix 14) of the Listing Rules as its own code of corporate governance practices.

The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code during the year ended 31 December 2023.

## **SECURITIES TRANSACTIONS OF DIRECTORS**

The Company has adopted, in terms no less exacting than, the standards required by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as the Company’s code of conduct and rules governing dealings by all Directors in the securities of the Company. The Directors have confirmed, following the specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased on the open market a total of 26,869,000 shares of the Company at a total consideration of HK\$795.6 million, all of which were cancelled during the year ended 31 December 2023.

Particulars of the shares repurchased on the open market during the year are as follows:

Month/year	Total number of shares repurchased	Highest price paid per share (HK\$)	Lowest price paid per share (HK\$)	Aggregate amount paid (HK\$'000)
February 2023	2,750,000	36.50	35.30	99,069
April 2023	700,000	32.00	31.15	22,138
May 2023	3,988,000	33.50	29.85	127,505
June 2023	5,636,000	31.70	28.85	170,622
July 2023	4,565,000	30.80	26.75	129,195
September 2023	9,230,000	28.00	24.70	247,036
	<u>26,869,000</u>			<u>795,565</u>

The number of issued shares of the Company as at the date of this announcement is 3,935,292,513 shares.

The Directors believe that the above repurchases are in the best interests of the Company and its shareholders and that such repurchases would lead to an enhancement of the earnings per share of the Company.

During the year, the trustee of the Restricted Share Award Scheme purchased on the open market a total of 4,571,000 shares of the Company at a total consideration of approximately HK\$104.3 million.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control, whistleblowing policy and system and financial reporting matters, including the review of the Group's financial statements for the year ended 31 December 2023.

## **SCOPE OF WORK OF KPMG**

The figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of RMB0.489 (2022: RMB0.402) per ordinary share for the year ended 31 December 2023. Upon shareholders' approval at the forthcoming AGM, the proposed final dividend will be paid on or about Wednesday, 26 June 2024 to shareholders whose names appear on the register of members of the Company on Tuesday, 18 June 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed (i) from Thursday, 6 June 2024 to Wednesday, 12 June 2024, both days inclusive, for determining shareholders' eligibility to attend and vote at the AGM, and (ii) on Tuesday, 18 June 2024, for determining shareholders' entitlement to the proposed final dividend, during such periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM of the Company to be held on Wednesday, 12 June 2024, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 5 June 2024.

In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 17 June 2024.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Company at [www.mengniu.com](http://www.mengniu.com) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company will be despatched to shareholders and available at the aforesaid websites in due course.



## **BOARD OF DIRECTORS**

As of the date of this announcement, the executive directors of the Company are Mr. Jeffrey, Minfang Lu, Ms. Wang Yan and Mr. Zhang Ping; the non-executive directors of the Company are Mr. Chen Lang, Mr. Wang Xi and Mr. Simon Dominic Stevens; and the independent non-executive directors of the Company are Mr. Yih Dieter (alias Yih Lai Tak, Dieter), Mr. Li Michael Hankin and Mr. Ge Jun.

## **APPRECIATION**

The Board would like to take this opportunity to express gratitude to our shareholders and the public for their continued support, and to all staff for their hard work and commitment.

By order of the Board  
**China Mengniu Dairy Company Limited**  
**Jeffrey, Minfang Lu**  
*Chief Executive Officer and Executive Director*

Hong Kong, 26 March 2024