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CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

PROFIT WARNING

This announcement is made by China Shengmu Organic Milk Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary assessment of the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a loss attributable to owners of the Group’s parent company for the year ended 31 December 2024 (the “**Reporting Period**”) in the range of RMB60 million to RMB80 million, as compared with a profit attributable to owners of the Group’s parent company of RMB86.1 million for the corresponding period in 2023. The Group is expected to record a cash EBITDA^(Note) in the range of RMB930 million to RMB980 million for the Reporting Period, representing a decrease of approximately RMB11 million to RMB61 million as compared with the corresponding period in 2023.

The loss the Group expects to record for the Reporting Period is mainly attributable to the following factors:

1. Decline in gross profit due to decrease in sales volume and revenue

During the Reporting Period, the imbalance between supply and demand in the domestic raw milk market remained severe and the selling price of raw milk continued to decline, resulting in a year-on-year decrease in the Group’s raw

milk sales volume and sales revenue. Benefiting from effective cost control and the efforts of the management team, the annualized milk yield per milkable cow recorded an increase and the operating costs continued to decrease during the Reporting Period. However, these positive factors were not sufficient to fully compensate for the impact of the drop in raw milk prices on gross profit.

2. Increase in loss arising from changes in fair value of biological assets

2.1 Proactive retirement of inefficient cows: During the Reporting Period, in order to mitigate the impact of the imbalance between the supply and demand of raw milk and improve the quality of the dairy herd, the Group accelerated the retirement process of inefficient cows. As a result, the number of retired cows recorded a significant year-on-year increase, which, coupled with the persistently low market price of culled cows during the year, led to an increase in the loss arising from the change in fair value of the productive biological assets as compared with the corresponding period last year;

2.2 Unsatisfactory performance of the beef cow market: During the Reporting Period, the demand in the beef cow market was lower than expected and the selling price dropped significantly, and as a result the Group's beef cow business recorded a loss, which increased significantly as compared with the corresponding period last year.

In summary, loss arising from changes in the fair value less costs to sell of biological assets increased by approximately RMB90 million to RMB120 million as compared with the corresponding period last year.

Despite the fact that the results of the Group for the Reporting Period were affected by factors such as the downturn of the industry market, the management has always maintained the mentality of proactive development, taking appropriate actions and seeking changes in the midst of stability, and has relentlessly explored and moved forward in the face of adversity. During the Reporting Period, the Company's overall management capability was further enhanced and the control of the three key expenses and operating costs continued to be optimized. The management vigorously enhanced the operational efficiency of the farms and contributed to the solid development of the core business, with encouraging improvements in herd quality, milk yield per milkable cow and breeding levels during the year. In particular, the average annualized milk yield per milkable cow exceeded 12 tonnes for the first time. The management actively reduced the Group's financial risks and maintained a reasonable cash level to ensure the stability and sustainability of the net cash inflow from operating activities.

As at the date of this announcement, the overall financial results of the Group for the Reporting Period are subject to the finalization of all relevant results and accounting treatment. The information contained in this announcement is only based on the Board's preliminary assessment of the unaudited consolidated management accounts for the Reporting Period and information currently available to the Board, which has not been reviewed by the Company's auditor or the Company's audit committee. The actual financial results of the Group for the Reporting Period may differ from those disclosed in this announcement. Shareholders and potential investors should refer to the 2024 annual results announcement which is expected to be published on or before 31 March 2025 for further information.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Note: Cash EBITDA is defined as earnings before finance costs and tax as adjusted for the following items: i) depreciation and amortization included in profit or loss; ii) other income and gains (non-cash items); iii) impairment losses under the expected credit loss model, net of reversals; iv) other expenses (non-cash items); and (v) loss arising from changes in fair value less costs to sell of biological assets.

By Order of the Board
China Shengmu Organic Milk Limited
Chen Yiyi
Chairman

Hong Kong, 14 February 2025

As at the date of this announcement, the Board comprises Mr. Zhang Jiawang, as executive Director; Mr. Chen Yiyi (Chairman), Mr. Zhang Ping, Mr. Zhao Jiejun, Mr. Sun Qian and Ms. Shao Lijun, as non-executive Directors; Mr. Wang Liyan, Mr. Wu Liang and Mr. Sun Yansheng, as independent non-executive Directors.