中国圣牧
CHINA SHENGMU

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

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

	For the year ended 31 December		
	2024	2023	**Movements**
OPERATING CONDITION			
Operating income[(1)]	**3,374,327**	3,520,212	**-4.1%**
Revenue	**3,126,184**	3,383,629	**-7.6%**
Gross profit	**925,890**	1,025,020	**-9.7%**
(Loss)/profit attributable to owners of the parent	**(65,495)**	86,076	**N/A**
Cash EBITDA[(2)]	**957,843**	991,013	**-3.3%**
FINANCIAL EFFICIENCY			
Current ratio	**80.4%**	71.3%	**+9.1%**
Administrative expenses ratio[(3)]	**4.88%**	4.92%	**-0.04%**
Selling and distribution expenses ratio[(3)]	**1.6%**	1.9%	**-0.3%**
Annual average financing rate	**2.44%**	2.67%	**-0.23%**
OPERATING EFFICIENCY			
Sales volume (tonnes)	**699,803**	711,465	**-1.6%**
Milk yield per milkable cow (tonnes/year • head)	**12.05**	11.38	**+5.9%**
Cost of sales of per kilogram of milk (RMB/kg)	**3.14**	3.32	**-5.2%**

DIVIDEND

The Board of Directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: HK0.23 cents).

SUMMARY OF OPERATIONAL HIGHLIGHTS:

Focus on Desert Organic for 15 Years, Create a Green Miracle and Win Gold:

The Group advocates that high-quality milk originates from natural organic sources. Through the trinity practice of "slow cultivation of soil (慢養土)", "slow cultivation of grass (慢養草)" and "slow cultivation of cows (慢養牛)", Shengmu's organic milk has gained the favor and trust from consumers. During the year, our organic products once again stood out from more than a hundred declared organic brands at the 17th Asia International Organic Products Expo, which is known as the wind vane of the Asian organic industry, and once again won the Gold Medal of the Asia Organic Expo.

Quality Improvement, Efficiency Enhancement and Steady Operation:

During the year, in the face of the continuous downward trend of milk prices, the Group, through cost-reduction and efficiency-enhancement measures and the optimization of core businesses, achieved a year-on-year decrease of 5.2% in the sales cost per kilogram of milk, and a year-on-year increase of 5.9% in the milk yield per milkable cow, which has historically broken through the 12-ton mark. As the first dairy cow breeding enterprise in China to obtain the ISO22000 Food Safety Management System (FSMS) certification, we will continuously safeguard the health of the people with high-quality organic food as our responsibilities.

Strategic Support and Digitalisation-Intelligence Empowerment:

The Group, with its remarkable financial system construction and effective management team, has been honored with the "Best Financial Strategy Award" in the Top 100 Overseas Listed Companies Ranking. In terms of digital transformation, a breakthrough has been achieved in the full-chain transformation "from the farm to the factory". Through the technological innovation of "cow identification + AI model algorithm", the industry's first "cow milk yield calibration model" with an accuracy of over 95% has been successfully developed. This enables the refined management of the individual cow efficiency, comprehensively empowers the upgrade of the farm production and management system, and continuously improves the Group's operational efficiency.

Practise ESG and Facilitate Sustainable Development:

The Group has officially joined the World Business Council for Sustainable Development (WBCSD) during the year, inaugurating a new chapter in global sustainable development.

- At the Hong Kong Green and Sustainable Contribution Conference hosted by the Hong Kong Quality Assurance Agency (HKQAA), the Group was honored with the "Pioneer Award for ESG Disclosure Contribution" due to its outstanding achievements in environmental, social and governance ("**ESG**") practice.

- As the first Chinese pilot project of the "The Economics of Ecosystems and Biodiversity in Agriculture and Food Systems (TEEBAgriFood)" program of the United Nations Environment Programme (UNEP), the "China Shengmu Biodiversity and Multidimentional Capital Accounting Report" released by the Group at the 16th Conference of the Parties **("COP16")** of the United Nations Convention to Combat Desertification (UNCCD) has set a precedent for multidimensional capital accounting in China.

- Leveraging on its remarkable performance in the ESG field, the Group successfully completed the grant of the first nature-benefit commercial ESG-linked loan in China, which not only set a precedent for ESG financing in the Inner Mongolia Autonomous Region, but also established a new milestone in the practice of green finance.

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

(2) Cash EBITDA is defined as earnings before finance costs and tax after adjusting the following items: i) depreciation and amortization charged to profit and 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.

(3) The administrative expenses/selling and distribution expenses ratio is calculated as administrative expenses/selling and distribution expenses divided by revenue.

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

The board (the "**Board**") of directors (the "**Directors**") of China Shengmu Organic Milk Limited (the "**Company**" or "**China Shengmu**") hereby presents the consolidated financial results of the Company and its subsidiaries (the "**Group**" or "**Shengmu**") for the year ended 31 December 2024 together with comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December **2024**	2023
		RMB'000	RMB'000
REVENUE	3	**3,126,184**	3,383,629
Cost of sales		**(2,200,294)**	(2,358,609)
Gross profit		**925,890**	1,025,020
Loss arising from changes in fair value less costs to sell of biological assets		**(807,302)**	(706,302)
Fair value changes of financial guarantee contracts		**(81)**	(124)
Other income and gains	3	**70,960**	72,319
Selling and distribution expenses		**(49,062)**	(62,746)
Administrative expenses		**(152,565)**	(166,309)
Provision/(reversal) of impairment losses on financial assets, net		**(149)**	1,651
Other expenses		**(5,836)**	(2,545)
Finance costs	5	**(47,456)**	(53,104)
Share of profits and losses of associates		**2,317**	(10,174)
(LOSS)/PROFIT BEFORE TAX	4	**(63,284)**	97,686
Income tax expense	6	**(1,231)**	(3,074)
(LOSS)/PROFIT FOR THE YEAR		**(64,515)**	94,612
Attributable to:			
Owners of the parent		**(65,495)**	86,076
Non-controlling interests		**980**	8,536
		(64,515)	94,612
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**(RMB0.0080)**	RMB0.0104
Diluted		**(RMB0.0080)**	RMB0.0103

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(64,515)**	94,612
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive (loss)/income:		
Changes in fair value	**(5,000)**	4,000
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(5,000)**	4,000
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(5,000)**	4,000
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(69,515)**	98,612
Attributable to:		
Owners of the parent	**(70,495)**	90,076
Non-controlling interests	**980**	8,536
	(69,515)	98,612

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2024	31 December 2023
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,885,925**	1,945,138
Right-of-use assets		**594,896**	595,729
Other intangible assets		**23,285**	10,893
Investments in associates		**34,644**	23,353
Biological assets		**3,380,138**	3,122,650
Prepayments, other receivables and other assets		**—**	49,848
Other financial assets		**56,000**	61,000
Cash and bank balances		**368,058**	552,429
Long-term receivables		**—**	829
Total non-current assets		**6,342,946**	6,361,869
CURRENT ASSETS			
Inventories		**856,609**	1,006,841
Biological assets		**86,383**	91,579
Trade receivables	9	**287,701**	303,329
Prepayments, other receivables and other assets		**64,400**	79,053
Other financial assets		**—**	130,000
Restricted bank deposits		**128,988**	148,783
Cash and bank balances		**697,225**	395,457
Total current assets		**2,121,306**	2,155,042
CURRENT LIABILITIES			
Trade and bills payables	10	**1,649,760**	1,706,705
Other payables and accruals		**304,565**	390,779
Lease liabilities		**17,036**	13,380
Interest-bearing bank borrowings	11	**666,565**	911,383
Tax payable		**1,227**	—
Total current liabilities		**2,639,153**	3,022,247
NET CURRENT LIABILITIES		**(517,847)**	(867,205)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,825,099**	5,494,664

CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)

	Note	**As at** **31 December 2024**	31 December 2023
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		**41,587**	38,553
Interest-bearing bank borrowings	11	**1,607,720**	1,219,856
Total non-current liabilities		**1,649,307**	1,258,409
Net assets		**4,175,792**	4,236,255
EQUITY			
Share capital		**69**	69
Treasury shares held under share award scheme		**(43,754)**	(76,887)
Reserves		**4,006,692**	4,099,886
Equity attributable to owners of the parent		**3,963,007**	4,023,068
Non-controlling interests		**212,785**	213,187
Total equity		**4,175,792**	4,236,255

NOTES:

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability. 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. During the year, the Company's subsidiaries were primarily engaged in the production and distribution of raw milk in the People's Republic of China (the "**PRC**").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting standards ("**IASs**") and Interpretations) as issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain biological assets, agriculture produce and derivative financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024. 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).

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 parent of the Group 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.

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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Going concern

The Group had net current liabilities of RMB517,847,000 as at 31 December 2024 (as at 31 December 2023: net current liabilities of RMB867,205,000). In view of the net current liabilities position, the board of directors has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities and cash flow projections for the year ending 31 December 2025, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group’s financial statements.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers	**3,126,184**	3,383,629

Revenue from contracts with customers

	For the year ended 31 December	
	2024	2023
Segment	**Sale of raw milk RMB'000**	Sale of raw milk RMB'000
Type of goods		
Sale of products	**3,126,184**	3,383,629
Geographical market		
Chinese Mainland	**3,126,184**	3,383,629
Timing of revenue recognition		
Goods transferred at a point in time	**3,126,184**	3,383,629

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Other income and gains		
Other income		
Beef cattle	**100,709**	66,134
Others	**147,434**	70,449
Total other income	**248,143**	136,583
Other costs		
Beef cattle	**(100,709)**	(66,134)
Others	**(137,385)**	(70,721)
Total other costs	**(238,094)**	(136,855)
Government grants*	**44,816**	45,198
Bank interest income	**25,464**	18,733
Other interest income from financial assets at fair value through profit or loss	**7,023**	10,822
Foreign exchange differences, net	**(326)**	354
Loss on disposal of items of property, plant and equipment	**(3,767)**	(5,141)
Loss on disposal of other intangible assets	**(110)**	—
Impairment of inventories	**(20,799)**	(3,511)
Others	**8,610**	6,136
Total other income and gains	**70,960**	72,319

* The government grants have been received for the Group's contribution to the development of the local farming industry. There are no unfulfilled conditions or contingencies attaching to these grants.

4. (LOSS)/PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of inventories sold	**2,200,294**	2,358,609
Loss arising from changes in fair value less costs to sell of biological assets	**807,302**	706,302
Fair value changes of financial guarantee contracts	**81**	124
Depreciation of property, plant and equipment	**185,278**	171,924
Less: Capitalised in biological assets	**(63,475)**	(65,554)
Depreciation recognised in the consolidated statement of profit or loss	**121,803**	106,370
Depreciation of right-of-use assets	**19,832**	20,847
Less: Capitalised in biological assets	**(2,024)**	(1,375)
Depreciation recognised in the consolidated statement of profit or loss	**17,808**	19,472
Amortisation of other intangible assets	**1,756**	1,513
Less: Capitalised in biological assets	**(229)**	(203)
Amortisation recognised in the consolidated statement of profit or loss	**1,527**	1,310
Research and development costs	**2,663**	7,093
Lease payments not included in the measurement of lease liabilities	**31,930**	14,147
Auditor's remuneration	**2,580**	2,580
Foreign exchange differences, net	**326**	(354)
Provision/(reversal) of impairment on financial and contract assets, net	**149**	(1,651)

4. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss on disposal of items of property, plant and equipment	**3,767**	5,141
Loss on disposal of other intangible assets	**110**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries, bonuses and allowances	**246,015**	307,407
Other social insurances and benefits	**34,011**	24,724
Share award expenses	**34,201**	32,475
Pension scheme contributions	**12,564**	12,775
Total	**326,791**	377,381

5. FINANCE COSTS

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans and other loans	**52,028**	52,295
Interest on short-term notes	**—**	648
Interest on lease liabilities	**—**	161
Total interest expense on financial liabilities not at fair value through profit or loss	**52,028**	53,104
Less:Interest capitalised	**(4,572)**	—
Total	**47,456**	53,104

6. INCOME TAX

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current - PRC		
Charge for the year	**1,231**	3,074
Total tax charge for the year	**1,231**	3,074

7. DIVIDENDS

A final dividend in respect of the year ended 31 December 2023 of HKD0.23 cents (equivalent to RMB0.21 cents) per share was proposed pursuant to a resolution passed by the Board on 26 March 2024, which was approved at the annual general meeting of the Company on 14 June 2024. The aggregate amount of the final dividend declared and paid in the current year amounted to RMB17,588,000 (2023: RMB87,184,000) and was appropriated from the Company's distributable share premium.

The Board did not recommend the payment of the final dividend for the year ended 31 December 2024.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, divided by the weighted average number of ordinary shares of 8,207,944,000 (2023: 8,244,327,000) outstanding during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/earnings for the year attributable to ordinary equity holders of the parent of RMB(65,495,000) (2023: RMB86,076,000) divided by the weighted average number of ordinary shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 8,207,944,000 (2023: 8,244,327,000) outstanding during the year. No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2024 in respect of a dilution as the impact of the share award outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented (2023: 82,250,000).

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic (loss)/earnings per share calculation	**8,207,944,000**	8,244,327,000
Effect of dilution – weighted average number of ordinary shares:		
Share awards	**—**	82,250,000
Total	**8,207,944,000**	8,326,577,000

9. TRADE RECEIVABLES

	As at	
	31 December	31 December
	2024	2023
	RMB'000	RMB'000
Trade receivables	**295,028**	310,656
Impairment	**(7,327)**	(7,327)
Net carrying amount	**287,701**	303,329

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

	As at	
	31 December	31 December
	2024	2023
	RMB'000	RMB'000
Within 3 months	**287,701**	302,688
7 months to 1 year	**—**	228
1 to 2 years	**—**	413
Total	**287,701**	303,329

10. TRADE AND BILLS PAYABLES

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

	As at	
	31 December 2024	31 December 2023
	RMB'000	RMB'000
Within 3 months	**1,036,986**	1,031,541
4 to 6 months	**596,909**	620,504
7 to 12 months	**3,689**	44,257
1 to 2 years	**5,898**	4,982
2 to 3 years	**2,283**	5,421
Over 3 years	**3,995**	—
Total	**1,649,760**	1,706,705

The trade payables are non-interest-bearing and are normally settled within 90-day terms.

11. INTEREST-BEARING BANK BORROWINGS

	As at					
	31 December 2024			31 December 2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**0.82-2.90**	**2025**	**666,565**	0.87-3.26	2024	911,383
Total – current			**666,565**			911,383
Non-current						
Bank loans –unsecured	**2.18-3.20**	**2026-2030**	**1,607,720**	2.40-3.20	2025-2030	1,219,856
Total – non-current			**1,607,720**			1,219,856
Total			**2,274,285**			2,131,239

11. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

	As at	
	31 December 2024	31 December 2023
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**666,565**	911,383
In the second year	**1,055,120**	—
In the third to fifth years, inclusive	**407,261**	1,088,610
Beyond five years	**145,339**	131,246
Total	**2,274,285**	2,131,239

As at 31 December 2024, all of the Group's bank borrowings were denominated in RMB.

12. SHARE AWARD SCHEME

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

Subject to any early termination pursuant to the rules of the Share Award Scheme (the "**Scheme Rules**"), the Share Award Scheme shall be effective from the Adoption Date and shall remain in full force and effect for a period of 10 years from the Adoption Date. Pursuant to the Share Award Scheme, the shares under the Share Award Scheme will comprise existing shares of the Company purchased or to be purchased by the Trustee (the "**Trustee**", a professional independent trustee appointed by the Company to assist in the administration of the Share Award Scheme) on the open market. The Share Award Scheme shall be subject to the administration of authorized representatives authorized by the Board and the Trustee in accordance with the Scheme Rules.

Pursuant to the Share Award Scheme, on 19 April 2024, the Board granted the third batch of awards worth RMB35,000,000 to 62 selected participants (a total of 85,846,000 shares were granted, with a value of RMB24,016,200, along with a cash award of RMB10,983,800), among which, a total of 75,054,000 shares and cash equivalent to RMB9,603,000 were granted to 61 middle and senior management personnel of the Group. Mr. Zhang Jiawang, a Director, was granted 10,792,000 shares, plus a cash award of RMB1,380,800.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2024, the overall domestic economy operated steadily, achieving progress while maintaining stability, with the annual gross domestic product (GDP) reaching RMB134,908.4 billion, representing an increase of 5.0% as compared with the previous year at constant price. The total retail sales of consumer goods for the year amounted to RMB48,334.5 billion, representing a year-on-year growth of 3.5%. The sales of consumer staples and consumer discretionary showed a good growth trend. The retail sales of grain, oil and food commodities recorded by businesses above a certain size threshold (限額以上單位) increased by 9.9% year-on-year. The consumer price index (CPI) for the year rose by 0.2% as compared with the previous year, among which the prices of food, tobacco and alcohol decreased by 0.1%. The national disposable income per capita for the year was RMB41,314, a nominal increase of 5.3% year-on-year. The proportion of consumption expenditure per capita on food, tobacco and alcohol (Engel's coefficient) was 29.8%, which was generally unchanged from the previous year. Overall, domestic consumption in 2024 grew steadily on the whole. The market scale continued to expand, the consumption structure continued to improve, online retail and new forms of consumption were relatively active, and consumer prices remained generally stable. However, consumers' spending power and willingness remained weak, meaning the consumers' demand is to be further stimulated.

In 2024, the dairy industry in China faced a challenging environment. The consumption of dairy products was sluggish, and the price of raw milk declined for three consecutive years, reaching a historical low. The production of dairy manufacturing enterprises above the designated size (規模以上乳製品製造企業) in China totalled 29.618 million tonnes, representing a year-on-year decrease of 1.9%. In terms of imports, China imported a total of 2.768 million tonnes of various dairy products in 2024, representing a year-on-year decrease of 9.5%, marking the third consecutive year of a significant decline in imported dairy products. The imported dairy products were equivalent to 17.079 million tonnes of raw fresh milk, representing a year-on-year decrease of 8.8%. In terms of major categories, in 2024, China imported a total of 2.046 million tonnes of dried dairy products, representing a year-on-year decrease of 8.0%, and imported 723,000 tonnes of liquid milk, representing a year-on-year decrease of 13.5%. Among them, the import volume of milk powder witnessed the largest decline, decreasing by 17.9%. The continuous decline in China's dairy product imports is the result of both the downward trend in domestic raw milk prices and the upward trend in international dairy product prices. Since May 2024, the average price of imported bulk milk powder, which has a significant crowding-out effect on domestic raw milk production, has started to exceed the domestic raw milk price for the first time in over a decade. The decrease in imported dairy products has, to some extent, alleviated the supply pressure in the industry under difficult circumstances.

In the dairy cow farming industry, although the supply of raw milk has started to decline, the rate of decline is not as fast as that of downstream demand, and the overall supply situation remains relatively loose. In 2024, the total production of raw milk in China was 40.79 million tonnes, representing a year-on-year decrease of 2.8%, marking the first decline in China's milk production since 2018. Quarterly, the year-on-year growth rates of raw milk production in the four quarters were 5.1%, 2.1%, -5.8% and -9.0% respectively, and the pace of capacity clearance has significantly accelerated. The price of raw fresh milk continued to drop to a historical low. By the end of December 2024, the average price of raw fresh milk in the primary dairy cow producing provinces (regions) as monitored by the Ministry of Agriculture and Rural Affairs was RMB3.11/kg, representing a decrease of 15.0% as compared with the corresponding period last year. The average price for the whole year of 2024 was RMB3.32/kg, representing a year-on-year decrease of 13.4%. In terms of feed costs, the prices of major feed inputs such as corn and soybean meal have dropped significantly. According to the monitoring data of the Ministry of Agriculture and Rural Affairs, in December 2024, the national average price of corn was RMB2.32/kg, representing a year-on-year decrease of 17.4%, and the national average price of soybean meal was RMB3.27/kg, representing a year-on-year decrease of 24.3%. The total amount of imported forage has increased due to a decrease in cost. According to customs statistics, in 2024, China imported a cumulative

1.325 million tonnes of hay, representing a year-on-year increase of 23.7%. Among them, the cumulative import of alfalfa hay was 1.096 million tonnes, representing a year-on-year increase of 9.7%, and the cumulative import of oat hay was 0.226 million tonnes, representing a year-on-year increase of 213.2%. Overall, although the pressure on the cost side has been reduced, the economic benefits of the dairy cow farming industry remain at a low level, and there are widespread losses in farms. In this difficult situation, approximately 80% of the farms have accelerated the culling of low-yielding dairy cows. Meanwhile, a considerable number of farms have started to sell female calves and reserve cows to ease the current operating pressure. For the dairy cow farming industry, in the current situation, in addition to having a stable raw milk sales channel, a healthy debt level and reasonable cash reserve capacity are important conditions for maintaining the survival of the farm.

BUSINESS OVERVIEW

The principal business of the Group is dairy cow farming, focusing on the production and sales of desert-based organic milk, while satisfying customers' diversified demands for high-quality raw milk, and continuing to develop a variety of functional raw milk to enrich the Company's product structure and enhance its profitability. In 2024, the Group produced 2,015 tonnes of raw fresh milk per day, of which 21 organic certified farms produced 1,534 tonnes of raw fresh milk per day, two DHA milk farms produced 86 tonnes of raw fresh milk per day, and one organic A2 farms produced 22 tonnes of raw fresh milk per day. The diversified and high-end product structure enables the Group to have obvious differentiated competitive advantages in the dairy cow farming industry.

Herd Size

As at December 31, 2024, the Group operated 34 farms, including 2 fattening cow farms. The Group had 156,481 cows in stock, representing a 5.7% increase as compared with the end of the previous year.

In order to effectively address the impact of the imbalance between the supply and demand of raw milk, the Group has accelerated the process of culling inefficient cows. As a result, the number of milkable cows in stock declined by 2.1% as compared with the end of the previous year, and the overall quality of the dairy herd size improved significantly despite the slight decline in its size. In terms of replenishing high-quality reserve cow sources, we have fully grasped the market opportunity of the downward cost of imported dairy cows, and introduced more than 8,100 high-quality young Holstein cows from Australia. The number of calves and heifers in stock has increased by 12.8% as compared with the end of the previous year. An adequate and high-quality reserve of reserve cows is a fundamental condition for the Group to maintain a healthy and positive development trend, and it also lays a solid foundation for the stability of the future milk supply of the Group and the improvement of milk quality.

	As at	
	31 December 2024	31 December 2023
Number of Farms (number)	**34**	34
Milkable Cows (heads)	**62,842**	64,193
Calves and Heifers (heads)	**81,606**	72,373
Fattening cows (heads) (1)	**12,033**	11,463
Total (heads)	**156,481**	148,029

(1) Fattening cows refer to a type of cow that mainly produces beef, the main purpose of which is for selling.

OPERATION REVIEW

The milk production of dairy cows during the peak period continuing to increase, and the average milk yield per cow exceeding 12 tonnes for the first time

In 2024, the milk production capacity of the Group's dairy cows was further enhanced, and the milk production during the peak period of dairy cows continued to increase. Among them, the peak production of primiparpus cows exceeded 40 kg/day, representing a year-on-year increase of 1.2 kg/day; and the peak production of multiparous cows exceeded 50 kg/day, representing a year-on-year increase of 1.5 kg/day. The milk yield per milkable cow reached 12.05 tonnes, representing a year-on-year increase of 0.67 tonnes. The Group has continuously set new records of the highest milk production per dairy cow since its establishment.

In the current market environment, the increase in the milk yield per dairy cow enhance the Company's profitability. However, affected by the continuous weak market demand, in 2024, the Group recorded a total raw milk sales volume of 0.7 million tonnes, representing a year-on-year decrease of 1.6%. Combined with the impact of the continuous decline in the sales price of raw milk, the Group recorded a total sales revenue for the year of RMB3,126.2 million, representing a year-on-year decrease of RMB257.4 million.

Improving quality and enhancing efficiency, and the gross profit margin being basically on par with the corresponding period last year

In 2024, the overall raw milk price in the industry decreased significantly as compared with the corresponding period last year, and the extent of the decline was also notably higher than that of the corresponding period last year. However, relying on its uniqueness and good quality, the desert organic raw milk sold by the Group maintained a relatively stable premium level as compared with ordinary raw milk given the current industry conditions. During the year, the average sales price of the Group's comprehensive raw milk was RMB4.47/kg, representing a year-on-year decrease of RMB0.29/kg. Benefiting from the downward trend of the prices of major feeds, the pressure of feed costs has been alleviated to some extent. Meanwhile, the Group has actively expanded measures to reduce costs and increase efficiency. Through innovative management models, it has effectively reduced costs throughout the entire life cycle of dairy cows.

Specifically, on the one hand, by optimizing the feed formula, the Group reduced the daily ration cost of lactating cows, actively explored new technologies and resources, and tapped into alternative forage materials. On the other hand, through reasonable grouping of cows, precise feeding, and strengthening the management of leftover feed in the farms, the feed conversion rate of dairy cows was improved. Benefiting from the increase in milk yield per cow and the decrease in feed costs, the Group's sales cost per kilogram of milk in 2024 was RMB3.14/kg, with the feed cost of sales per kilogram of milk at RMB2.54/kg, representing a year-on-year decrease of RMB0.11/kg. As a result, the Group's gross profit margin in 2024 was 29.6%, generally unchanged from the corresponding period last year. In the current situation where the profit margin of the industry has been significantly compressed, the stable gross profit margin level fully demonstrates the differentiated competitiveness of the Group's core business.

Strategically optimizing the herd structure, and importing dairy cows to improve the quality of the herd

The industry is experiencing an oversupply of raw milk, for which the Group has proactively carried out strategic optimization of the herd structure. Cows with lower efficiency were retired to improve the health level and breeding capacity of the herd. The culling rate of dairy cows has increased compared to the same period last year, while the self-breeding and reproduction rate of dairy cows has decreased, representing a decrease of 6.29 percentage points as compared with the corresponding period. The dairy cow breeding level of the Group has maintained a good momentum during the year. Various important indicators affecting breeding, such as the 21-day pregnancy rate of milkable cows, the 21-day pregnancy rate of young cows, and the proportion of cows that have not been pregnant for 150 days, have all reached industry-leading levels.

In line with the Company's future strategic plan to accelerate the growth of the sales volume of organic milk, the newly-built smart farm by the Group at the Ulan Buh Desert Base officially commenced operation in the first half of 2024. Currently, approximately 8,100 dairy cows imported from Australia are being raised in this farm. The operation of this farm is not only the Group's proactive strategic plan for the future recovery of the industry cycle, and relying on their high-quality germplasm capabilities and good milk yield per cow, these imported dairy cows will provide significant assistance to the Group in further enhancing the quality of the herd. As of the date of this announcement, this farm has already started milk production, with the cumulative milk production is approximately 253.9 tonnes. As the proportion of milkable cows gradually increases, the production level will further rise.

Corporate management having been continuously refined, and the Company having won multiple industry honors

In terms of corporate management, the Group has continuously made improvements and achieved remarkable results, winning a number of industry honors. Over the past few years, the Group has focused on strengthening and enhancing the lean management level of the farms. As of 31 December 2024, a total of seven farms of the Group had passed the GAP (Good Agricultural Practice) certification, and 21 farms had received the S-level recognition in the " Modern Dairy Classification and Evaluation of Dairy Farms".

In terms of end-user products, the organic products of the Group once again won the Gold Award at the Asian Organic Expo at the 17th Asian International Organic Products Expo. The Group has been concentrating on desert organic products for 15 years, and the organic concept of "slow cultivation of nature (自然慢養)" advocated by us has struck a strong chord within the industry. The Group firmly believes that premium milk comes from a good natural source, and that "slow cultivation of soil (慢養土)", "slow cultivation of grass (慢養草)" and "slow cultivation of cows (慢養牛)" are precisely the keys to the success of Shengmu's organic milk.

In terms of corporate governance, leveraging on its achievements in the construction and management of the financial system, the Group has won the "Best Financial Strategy Award" in the Top 100 Overseas Listed Companies Ranking List. The Group's "from farm to factory" digital transformation achieved a number of breakthroughs during the year. Among them, the "Cow Identification + AI Model Algorithm" at the entrance of the farm milking halls and the first industry-level "Cow Milk Calibration Model" (with an accuracy of over 95%) have further realised the refined management of individual cow efficiency. Meanwhile, the Group's Electronic Records Management System has also won the "Digital Intelligence Pioneer Product - Best Practice Award". The application of this project has further accelerated the Group's digitalization process, achieving the goals of improving quality and efficiency, and enabling low-carbon office operations. It has also enhanced the level of refined cost management and improved the enterprise's risk governance capabilities.

Continuously practising ESG principles to contribute to global sustainable development

The Group regards sustainable development as a core component of its corporate strategies. Through a series of innovative measures, it has successfully achieved a win-win situation in terms of economic and environmental benefits. In 2024, the Group officially joined the World Business Council for Sustainable Development (WBCSD) and became one of its members. This marks an important and solid step taken by the Group in the global field of sustainable development.

ESG disclosure plays a vital role in ESG governance. On the one hand, it significantly enhances the transparency of corporate operations. On the other hand, through ESG disclosure, enterprises can more accurately identify and manage ESG-related risks and opportunities, thereby effectively promoting the improvement of their own sustainable development capabilities and also contributing to the healthy development of the entire market. Leveraging its outstanding performance in ESG and proactive information disclosure, the Group has won the "ESG Disclosure Contribution Pioneer Award" presented by the Hong Kong Quality Assurance Agency (HKQAA) during the year, as well as the "Golden Bee 2024 Outstanding Corporate Sustainable Development Report - Employee Responsibility Information Disclosure Award" presented by the China Business Council for Sustainable Development.

In the 2024 ratings of the Carbon Disclosure Project (CDP), after attaining 100% disclosure for three consecutive years, the Group has for the first time received a comprehensive "B-level" certification in the three major areas of climate change, water security and forest risk. As one of the few enterprises in the world that deeply integrates desert governance with the organic dairy industry chain, Shengmu, based on the Ulan Buh Desert, has created a complete organic ecological desert control industry system. Through the sustainable ecological model of "carbon sequestration with organic desert grass, zero deforestation of the supply chain, intelligent water conservation, and restoration of degraded soils (有機沙草固碳、零毀林供應鏈、智慧節水源、修復退化土壤)", it has explored a unique green breakthrough path. At COP16, China Shengmu's multidimensional capital accounting was the first pilot project in China for the "The Economics of Ecosystems and Biodiversity in Agriculture and Food" (TEEBAgriFood) project initiated by the United Nations Environment Programme (UNEP). The "China Shengmu Biodiversity and Multidimensional Capital Accounting Report" released at this conference is the first multidimensional capital accounting report in China.

The Group has also achieved tangible benefits in the construction of ESG and sustainable development. In 2024, the Group successfully issued the country's first nature-benefit commercial ESG-linked loan. This initiative not only set a precedent for ESG financing in the Inner Mongolia Autonomous Region, but also established a new milestone in the practice of green finance. The loan amount is RMB100 million, with a term of 2 years and an annual interest rate of 2.53%, which fully demonstrates the strong support from the financial industry for green projects. This move is also another powerful proof that the Group, in collaboration with banks, actively responding to the national strategy of "promoting high-quality development" and "actively implementing the United Nations 2030 Agenda for Sustainable Development". This initiative not only strengthens the collaborative cooperation between enterprises and financial institutions in promoting ecological civilization construction but also sets a new example of financial support for the exploration of enterprises' sustainable development paths. The successful issuance of this green loan is, after the Group successfully issued the country's first social responsibility bond, another practical demonstration of our firm commitment to sustainable development. In the future, the Group will make full use of the rich experience and its own advantages accumulated in the ESG field to provide more sustainable development solutions for society and actively contribute to building a greener, more harmonious and sustainable world.

Human Resources and Employee Remuneration

In terms of human resources, the Group is committed to improving labor efficiency. By optimizing the organizational structure and implementing performance incentive measures, we have effectively stimulated the vitality of the team. During the year, both the ratio of employees to cows and the production per capita of the Group have significantly increased as compared with the corresponding period last year. As at 31 December 2024, the Group had a total of 2,217 employees (as at 31 December 2023: 2,701 employees). Total employees' costs (including directors' and senior management's emoluments and restricted share incentives of the Group) amounted to RMB326.8 million in 2024 (2023: RMB377.4 million).

The Group adheres to the concept of common development and continuously increases employee benefits. The Share Award Scheme is being steadily promoted. Due to the achievement of various performance indicators of the Company, which meet the vesting conditions of the Share Award Scheme, the first and second tranches of the Share Award Scheme have successfully completed the vesting of the corresponding shares. The vesting of the third tranche of the Share Award Scheme is expected to be completed in 2025.

FINANCIAL REVIEW

ANALYSIS ON CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Sales revenue

	For the year ended 31 December	
	2024	2023
Sales volume (tonnes)	**699,803**	711,465
Average selling price (RMB/tonnes)	**4,467**	4,756
Sales revenue (RMB'000)	**3,126,184**	3,383,629

2024 operating data showed that, benefitting from the improvement of dairy cow herd and the increase in yields, the Company's total raw milk production increased by 1.6% year-on-year against the backdrop of a year-on-year decline in the number of milkable cows in stock. In the face of the market environment with persistently weak terminal demand for raw milk, the Company has adopted a flexible operating strategy: focusing its incremental production capacity on the refined feeding system for calves, while transforming value through processing into whole milk powder. Under this operating strategy, the total volume of externally-sold raw milk for the year was 0.7 million tonnes, representing a year-on-year decrease of 1.6% as compared with 0.711 million tonnes in 2023, and the overall production-sales structure maintained a healthy balance.

The Group's average selling price of raw milk dropped by 6.1 percentage points year-on-year to RMB4,467 per tonne (2023: RMB4,756 per tonne) as the situation of supply exceeding demand in the dairy market failed to improve effectively in 2024 and the selling price of raw milk continued to be low, and the combination of unfavourable factors in terms of sales volume and selling price of raw milk had a significant impact on the Group's sales revenue. The Group's sales revenue for the year was RMB3,126.2 million (2023: RMB3,383.6 million), representing a year-on-year decrease of 7.6%.

Cost of sales, gross profit and gross profit margin

	For the year ended 31 December	
	2024	2023
Cost of sales (RMB'000)	**2,200,294**	2,358,609
Gross profit (RMB'000)	**925,890**	1,025,020
Gross profit margin	**29.6%**	30.3%

In 2024, the Group was deeply committed to refined farming and focusing on operational efficiency improvement. By increasing yields and optimizing herd structure, the yield reached 12.05 tonnes for milkable cows, representing a year-on-year increase of 5.9%. The Group actively expanded the direct sourcing of high-quality feedstuffs and obtained high-quality raw materials at competitive prices to ensure the stability and quality of nutritional supply for dairy cows, and at the same time continuously optimized the nutritional formula of feedstuffs and accurately adjusted it according to the different stages of growth and production needs of dairy cows, thus achieving a steady decrease in feed costs. In terms of innovation in farm management mode, the Group has introduced digital and intelligent management measures through the efficient implementation of the Smart Farm Management Project to achieve real-time monitoring and precise control of the breeding process, which has effectively enhanced production efficiency and management precision and promoted the lean direction of farm operation. During the year, the feed cost of sales per kilogram of milk was RMB2.54/kg (2023: RMB2.65/kg), representing a year-on-year decrease of RMB0.11/kg.

As a result of the combined effect of the above factors, the Group's raw milk gross profit margin for 2024 was 29.6% (2023: 30.3%), basically remaining the same as the corresponding period last year.

Loss arising from changes in fair value less costs to sell of biological assets

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

In 2024, the Group's loss arising from changes in fair value less costs to sell of biological assets was RMB807.3 million (2023: RMB706.3 million), representing a year-on-year increase in loss of RMB101.0 million. This was mainly due to: (i) the fact that 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 retiring process of inefficient cows, and as a result, the number of cows retired recorded a significant year-on-year increase, which, coupled with the 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; and (ii) lower than expected demand in the beef cow market and a significant drop in selling prices resulted in a loss in the Group's beef cow business, with a significant increase in loss as compared with the corresponding period last year.

Other income and gains

In 2024, other income and gains amounted to RMB71.0 million (2023: RMB72.3 million), representing a year-on-year decrease of 1.8%. This mainly included government grants, interest income, etc.

Selling and distribution expenses

In 2024, the Company implemented a dual strategy to optimize transportation costs: on one hand, it reached a new freight rate agreement with its core carriers to reduce freight rates and drive down logistics costs structurally; on the other hand, it innovated its pricing model by implementing an offshore pricing delivery strategy for regional sources of milk to effectively transfer part of the carrier costs. As a result of these dual initiatives, selling and distribution expenses for the year dropped to RMB49.1 million, representing a 21.8% year-on-year decrease from RMB62.7 million in 2023, with significant cost control results.

Administrative expenses

In 2024, in order to cope with the challenges of the severe market environment, the Group actively adopted effective measures to reduce costs and increase efficiency. With the efficient operation of the information technology platform, the Group achieved significant savings during the year through process streamlining, functional streamlining, resource coordination and sharing, and compression of expenditures, etc. Administrative expenses decreased by 8.3% year-on-year to RMB152.6 million (2023: RMB166.3 million), accounting for 4.88% (2023: 4.92%) of sales revenue, representing a year-on-year decrease of 0.04%.

Other expenses

In 2024, other expenses amounted to RMB5.8 million (2023: RMB2.5 million). It was mainly for donation expenses.

Finance costs

In 2024, finance costs were RMB47.5 million (2023: RMB53.1 million), representing a year-on-year decrease of 10.6%. The Group promoted business cooperation with banking institutions in depth and maintained the credit scale at a solid level of RMB10 billion. Based on the current market interest rates in a historically low operating cycle, the Company proactively seized the opportunity of the interest rate window and prioritized medium- and long-term debt replacement and low-cost financing arrangements to optimize the capital structure and lock in long-term funds. The proportion of medium- and long-term borrowings increased to 70.7% and the consolidated financing rate decreased by 0.23 percentage points compared with the previous year, which effectively enhanced the stability and rationality of the Group's debt structure.

The Group consistently adheres to the concept of green development and continues to practise green finance. During the year, we received the first nature-benefit ESG-linked loan in China, for which we were awarded with the Hong Kong Green and Sustainable Finance Award from the Hong Kong Quality Assurance Agency in 2024.

Share of profits and losses of associates

The Group's associates include: (a) Inner Mongolia Mengniu Shengmu Hi-Tech Dairy Products Co., Ltd. (內蒙古蒙牛聖牧高科乳品有限公司), in which the Group held minority interests, which is primarily engaged in the operating and selling of Shengmu organic liquid milk products; (b) Food Union Shengmu Dairy Co., Ltd. (富友聯合聖牧乳品有限公司) and Inner Mongolia Shengmu Low Temperature Dairy Product Company Limited (內蒙古聖牧低溫乳品有限公司) ("**Shengmu Low Temperature**"), both of which the Group held minority interests in and produces dairy products with raw milk from the Group; (c) Inner Mongolia Yiyingmei Dairy Co., Ltd. (內蒙古益嬰美乳業有限公司), in which the Group held minority interests and is principally engaged in the production of high-end organic milk powders; (d) Mudanjiang Liangyuan Technology Limited (牡丹江糧源科技有限公司), in which the Group held minority interests, which is primarily engaged in feed processing; and (e) Bayannur Yimuyuan Biotechnology Co., Ltd. (巴彥淖爾市益牧源生物科技有限公司), in which the Group has a minority interest, which is principally engaged in the processing of organic manure.

In 2024, the share of profit of the above associates for the year was RMB2.3 million (2023: loss of RMB10.2 million) due to the significant improvement in the operating conditions of Shengmu Low Temperature.

Income tax expense

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

In 2024, the Group's income tax expense was RMB1.2 million (2023: RMB3.1 million).

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

As a result of the above combination of factors, the loss attributable to owners of the parent company for the year was RMB65.5 million (2023: attributable profit of RMB86.1 million), representing a year-on-year decrease of RMB151.6 million.

Profit attributable to non-controlling interests mainly represents the profit for the year attributable to the dairy farmers with whom we cooperated in relation to dairy farm management of our farms. In 2024, profit attributable to non-controlling interests amounted to RMB1.0 million (2023: RMB8.5 million).

In 2024, the Group's cash EBITDA was RMB957.8 million (2023: RMB991.0 million), representing a year-on-year decrease of 3.3%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

The Group's operating funds and capital expenditures are mainly derived from cash flows generated from internal operations and credit facilities provided by major correspondent banks.

In 2024, the Group's credit facilities continued to maintain a credit limit of RMB10 billion, with a stable credit utilization rate of less than 30%, which continuously protected the Company's stable operation. Having considered (i) the projected cash flows from operating activities of the continuing operations; and (ii) the existing financial assets and leverage level of the Group, the Directors believe that the Group has sufficient financial assets to settle its debts and to finance its day-to-day business operations as well as its contracted capital expenditure as at 31 December 2024.

Interest-bearing bank borrowings

As at 31 December 2024, the Group's interest-bearing bank borrowings amounted to RMB2,274.3 million (as at 31 December 2023: RMB2,131.2 million), all of which were denominated in Renminbi, of which interest-bearing bank borrowings repayable within one year amounted to RMB666.6 million (as at 31 December 2023: RMB911.4 million). Interest-bearing liabilities carry interest rates ranging from 0.82% to 3.20% per annum (for the year ended 31 December 2023: 0.87% to 3.26%).

The Group's net borrowings are calculated on the basis of interest-bearing bank borrowings (excluding lease liabilities) less cash and bank balances and short-term investment deposits. Net borrowings as at 31 December 2024 amounted to RMB1,209.0 million (as at 31 December 2023: RMB1,053.4 million), representing an increase of 14.8% from the end of 2023.

Capital Structure

As at 31 December 2024, the Group's total equity amounted to RMB4,175.8 million (as at 31 December 2023: RMB4,236.3 million), comprising current assets of RMB2,121.3 million, non-current assets of RMB6,343.0 million, current liabilities of RMB2,639.2 million and non-current liabilities of RMB1,649.3 million.

As at 31 December 2024, the Group's financial leverage ratio, calculated as interest-bearing bank and other borrowings (including lease liabilities) divided by total equity, was 55.9% (as at 31 December 2023: 51.5%), representing a year-on-year increase of 4.4%.

Charge on assets

As at 31 December 2024, the Group's total restricted bank deposits amounted to RMB129.0 million (as at 31 December 2023: RMB148.8 million), of which RMB43.3 million was pledged to banks in the PRC as deposits for the issuance of letters of credit and bank drafts and RMB85.7 million was frozen due to litigation.

Capital commitments

As at 31 December 2024, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB5.2 million (as at 31 December 2023: RMB43.7 million), the decrease was mainly attributable to the fact that the Smart Farm, which is under the management of the Group, had completed its farm basic construction during the year.

Contingent liabilities

As at 31 December 2024, the Group provided guarantees for bank borrowings of RMB70.0 million (as at 31 December 2023: RMB69.0 million) of Bayannur Shengmu High-tech Ecological Forage Co., Ltd (巴彥淖爾市聖牧高科生態草業有限公司) . The external guarantees provided by the Group were recognised in the financial statements, adopting the valuation of the guarantees as determined by the independent professional valuer as the best estimate of payment required for the performance of the relevant existing obligations in accordance with the requirements of IFRS Accounting Standards.

Foreign exchange risk

The Group's operations are primarily located in Chinese Mainland and the majority of transactions are conducted in RMB. As at 31 December 2024, the Group had no significant foreign exchange risk in respect of its operations except for cash of approximately RMB3.6 million and RMB1.5 million denominated in HKD and USD respectively. As at 31 December 2024, the Group had not entered into any arrangement to hedge against any foreign exchange fluctuations.

Credit risk

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

Environmental policies and performance

In 2024, the Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC.

Material acquisitions and disposals

In 2024, the Group did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures.

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

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

Events after the reporting period

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

FUTURE OUTLOOK

In 2025, the "No.1 Document" released by the Central Committee of the Communist Party of China and the State Council clearly proposed to support the stable development of the animal husbandry industry, promote the relief of the dairy cow and beef cow industries, stabilize basic production capacity, implement national standards for sterilized milk, and support the integrated development of dairy farming and processing with family farms and farmers' cooperatives as the main bodies. Meanwhile, it emphasized the development of characteristic rural industries, the adherence to acting in accordance with market laws, the significant development of the cultivation of green and characteristic agricultural products, the promotion of the transformation and upgrading of the agricultural product processing industry, the implementation of the agricultural brand boutique cultivation plan, the construction of the characteristic agricultural industry clusters, and the improvement the level of agricultural industrialization. It also called for the in-depth implementation of rural industrial integration development projects to cultivate new rural industries and new business forms. The "Action Plan for Cultivating and Strengthening the Agricultural and Sideline Food Processing Industry (2025 - 2027)" issued by the Inner Mongolia Autonomous Region points out that it is necessary to accelerate the cultivation and strengthening of the agricultural and sideline food processing industry in the region, and promote the large-scale, industrialized, branded development of agriculture and animal husbandry and the high-quality development of county-level economies. For the dairy industry, it is necessary to strengthen the construction of five major milk source bases, rely on the advantages of milk sources, and continue to expand and strengthen the liquid milk industry. Under the policy guidance of the state and local governments and with the strong empowerment of industrial resources, the Group will leverage on the unique resources of the Ulan Buh Desert to effectively promote the implementation of various business goals.

Looking ahead to 2025, the supply-demand situation in the industry remains severe. In the face of such difficult circumstances, the Group still maintains a firm belief, continuously refines its management, adapts to the new situation and environment, aligns with government strategies, serves people's livelihood needs, solidifies the industry, and enhances its enterprise value. As the largest organic raw milk supplier to Mengniu Group, a core business goal of the Group in 2025 is to ensure the growth of Mengniu's Deluxe Desert Organic business with high quality. We will rationalize the relationship between the upstream and downstream of the industrial chain, continue to strengthen the organic resource capabilities of the entire industrial chain, and provide high-quality raw milk to customers with high quality and strict requirements. The Group will also focus on promoting matters such as comprehensive cost control, efficiency improvement, environmental protection upgrading, and water resource guarantee, so as to achieve new breakthroughs in the Group's operational capabilities.

CORPORATE GOVERNANCE PRACTICES

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

In 2024, we had adopted, applied and complied with the code provisions contained in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") (as amended from time to time).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. Having made specific queries to the Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, in 2024, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

As at 31 December 2024, the Audit Committee comprised two independent non-executive Directors (Mr. Wang Liyan and Mr. Wu Liang) and a non-executive Director (Mr. Zhang Ping), and was chaired by Mr. Wang Liyan.

The Audit Committee has reviewed, with the Company's management and the external auditors the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control system and financial reporting matters, including the review of the Group's annual results for the year ended 31 December 2024.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the year ended 31 December 2024 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2024. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

PROPOSED FINAL DIVIDEND

The Board of Directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: HK0.23 cents).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shengmuorganicmilk.com). The annual report of the Company for the year of 2024, which contains all the information required by the Listing Rules, will be despatched to the shareholders and published on the aforesaid websites at a later date.

APPRECIATION

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

On behalf of the Board
China Shengmu Organic Milk Limited
Chen Yiyi
Chairman

Hong Kong, 26 March 2025

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