

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**優然牧業**  
YOURAN DAIRY

**China Youran Dairy Group Limited**

**中國優然牧業集團有限公司**

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

**(Stock Code: 9858)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2024**

**HIGHLIGHTS**

	<b>Year ended December 31,</b>		<b>Year-on-year</b>
	<b>2024</b>	<b>2023</b>	<b>change</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>(%)</b>
Revenue	<b>20,096,160</b>	18,693,896	<b>7.5</b>
Gross profit	<b>5,782,990</b>	4,469,785	<b>29.4</b>
Loss attributable to owners of the Company	<b>(690,890)</b>	(1,049,980)	<b>34.2</b>
Non-IFRSs measures:			
Cash EBITDA <sup>Note 1</sup>	<b>5,324,910</b>	3,851,418	<b>38.3</b>
Profit for the year (before biological assets fair value adjustments) <sup>Note 2</sup>	<b>3,059,873</b>	2,160,379	<b>41.6</b>
	<b>Tons</b>	<b>Tons</b>	
Annualized average milk yield per milkable cow (excluding Jerseys)	<b>12.6</b>	12.0	<b>5.0</b>

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

*Notes:*

1. It represents profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) impairment loss recognised in respect of property, plant and equipment and right-of-use assets, (v) losses arising from changes in fair value less costs to sell of biological assets, (vi) income tax expense, (vii) finance costs, (viii) interest income, and (ix) depreciation and amortization charged to profit or loss. The impairment loss recognized in respect of property, plant and equipment and right-of-use assets was included in the “Other gains and losses” account in prior years.
2. It represents profit for the year excluding losses arising from changes in fair value less costs to sell of biological assets.

The Board of the Company is pleased to announce the audited consolidated results of the Group for the Reporting Period.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	5	20,096,160	18,693,896
Cost of sales	6	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest		<u>4,468,909</u>	<u>3,275,246</u>
Gross profit		5,782,990	4,469,785
Loss arising from changes in fair value less costs to sell of biological assets		(3,921,360)	(3,613,271)
Other income	7	549,370	453,821
Impairment loss under expected credit loss model, net of reversal	8	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill		–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets		(512,850)	(7,879)
Other gains and losses	9	(102,152)	143,430
Selling and distribution expenses		(632,290)	(619,566)
Administrative expenses		(806,677)	(778,154)
Other expenses		(122,881)	(70,383)
Share of losses of associates		(79,666)	(126,559)
Share of loss of a joint venture		(989)	(541)
Finance costs	10	<u>(903,487)</u>	<u>(1,082,592)</u>
Loss before tax		(774,465)	(1,359,504)
Income tax expense	11	<u>(87,022)</u>	<u>(93,388)</u>
Loss for the year	12	<u><u>(861,487)</u></u>	<u><u>(1,452,892)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*FOR THE YEAR ENDED DECEMBER 31, 2024*

	<i>NOTES</i>	<b>Year ended 31/12/2024 RMB'000</b>	<b>Year ended 31/12/2023 RMB'000</b>
<b>Other comprehensive (expense)/income, net of income tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax		<b>(5,528)</b>	6,236
Exchange differences arising on translation from functional currency to presentation currency		<b>207,803</b>	298,805
		<b>202,275</b>	305,041
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>(277,322)</b>	(363,985)
Other comprehensive expense for the year, net of income tax		<b>(75,047)</b>	(58,944)
Total comprehensive expense for the year		<b>(936,534)</b>	(1,511,836)
Loss for the year attributable to:			
Owners of the Company		<b>(690,890)</b>	(1,049,980)
Non-controlling interests		<b>(170,597)</b>	(402,912)
		<b>(861,487)</b>	(1,452,892)
Total comprehensive expense for the year attributable to:			
Owners of the Company		<b>(764,488)</b>	(1,111,555)
Non-controlling interests		<b>(172,046)</b>	(400,281)
		<b>(936,534)</b>	(1,511,836)
		<b>RMB</b>	<b>RMB</b>
Loss per share	<i>13</i>		
Basic		<b>(0.18)</b>	(0.28)
Diluted		<b>N/A</b>	(0.28)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2024**

	<i>NOTES</i>	<b>31/12/2024</b> <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>15,076,822</b>	15,181,413
Investment properties		<b>2,276</b>	18,445
Right-of-use assets		<b>3,048,031</b>	2,735,677
Goodwill		<b>672,014</b>	672,014
Intangible assets		<b>26,540</b>	25,178
Biological assets		<b>15,364,953</b>	14,605,898
Deferred tax assets		<b>46,778</b>	35,388
Interests in associates		<b>891,844</b>	1,047,147
Interest in a joint venture		<b>3,558</b>	4,301
Equity instruments at FVTOCI		<b>11,766</b>	18,728
Pledged and restricted bank deposits		<b>14,933</b>	12,940
Deposits paid for purchase of property, plant and equipment		<b>120,790</b>	355,405
Deposits paid for purchase of biological assets		<b>108</b>	34,616
Deposits paid for right-of-use assets		<b>–</b>	4,187
Prepayments, deposits and other receivables	<i>17</i>	<b>20,061</b>	41,982
		<b>35,300,474</b>	34,793,319
<b>Current assets</b>			
Inventories	<i>15</i>	<b>4,311,226</b>	4,504,858
Trade receivables	<i>16</i>	<b>691,643</b>	792,071
Bills receivable		<b>–</b>	4,323
Contract assets		<b>800</b>	2,278
Biological assets		<b>250</b>	212
Prepayments, deposits and other receivables	<i>17</i>	<b>213,806</b>	380,394
Financial assets at fair value through profit or loss ("FVTPL")		<b>53,057</b>	–
Amounts due from related parties		<b>1,354,921</b>	1,099,845
Pledged and restricted bank deposits		<b>115,821</b>	134,087
Bank balances and cash		<b>829,310</b>	3,935,982
Deposits placed with a related party		<b>785,359</b>	552,359
		<b>8,356,193</b>	11,406,409

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT DECEMBER 31, 2024**

	<i>NOTES</i>	<b>31/12/2024</b> <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and bills payables	18	2,275,854	2,113,192
Other payables and accruals	19	1,640,703	1,982,750
Contract liabilities		30,332	31,231
Amounts due to related parties		151,960	79,277
Bank and other borrowings		16,709,437	16,433,086
Lease liabilities		248,410	220,788
Other liabilities		–	7,310
Other provisions		26,403	19,807
Income tax payable		26,788	27,139
		<u>21,109,887</u>	<u>20,914,580</u>
Net current liabilities		<u>(12,753,694)</u>	<u>(9,508,171)</u>
Total assets less current liabilities		<u>22,546,780</u>	<u>25,285,148</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		7,546,965	9,826,502
Deferred tax liabilities		11,449	7,292
Deferred income		814,900	728,211
Lease liabilities		1,988,397	1,601,913
Other provisions		25,311	22,535
		<u>10,387,022</u>	<u>12,186,453</u>
<b>Net assets</b>		<u>12,159,758</u>	<u>13,098,695</u>
<b>Capital and reserves</b>			
Share capital		258	251
Reserves		11,294,988	11,830,467
Equity attributable to owners of the Company		<u>11,295,246</u>	<u>11,830,718</u>
Non-controlling interests		<u>864,512</u>	<u>1,267,977</u>
<b>Total equity</b>		<u>12,159,758</u>	<u>13,098,695</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2024

### 1. GENERAL INFORMATION

China Youran Dairy Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since June 18, 2021. The address of the Company’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The principal place of business of the Company is No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, the PRC.

The Company and its subsidiaries (together, the “**Group**”) is primarily engaged in the production and sale of raw milk, and the trading, production and sale of feeds, ruminant farming products and breeding products in the PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of United States dollars (“**USD**”). The directors of the Company adopted RMB as presentation currency because the Group primarily conducts its business in the PRC.

### 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

#### Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards for the first time, which are mandatorily effective for the annual period beginning on January 1, 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments<sup>3</sup></i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity<sup>3</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards — Volume 11<sup>3</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>2</sup></i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements<sup>4</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2025.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2026.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of the above amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (CONTINUED)

### IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### Going concern assessment

As at December 31, 2024, the Group had net current liabilities of RMB12.8 billion. The consolidated financial statements have been prepared on a going concern basis, because the directors of the Company are of the opinion that, based on a cash flow forecast of the Group for the 12 months ending December 31, 2024 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least 12 months from December 31, 2024. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, the available unutilised bank loan facilities obtained and the expected renewal of certain utilised bank loan facilities for an aggregate amount of approximately RMB10.4 billion within 12 months from December 31, 2024.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

##### **Fair value measurements of biological assets – milkable cows**

The Group's biological assets are measured at fair value less costs to sell at the end of the reporting period. The Group uses valuation techniques that include inputs that are not based on market observable data to estimate the fair value of biological assets. For milkable cows, the fair value is determined by using the multi-period excess earnings method which is based on the discounted future cash flows to be generated by such milkable cows. The management's estimation is primarily based on the discount rate, the estimated local future market price of raw milk, the estimated average daily milk yield and the estimated feed costs per kilogram ("kg") of raw milk. Any changes in the inputs may affect the fair value of the Group's biological assets - milkable cows significantly. The carrying amount of the Group's milkable cows as at December 31, 2024 was RMB 8,657,642,000 (as at December 31, 2023: RMB8,385,409,000).

##### **Estimated impairment of property, plant and equipment and right-of-use assets**

The carrying amounts of property, plant and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policies. The recoverable amounts of these assets are the higher of the fair value less costs of disposal and value in use, the calculations of which involve the use of estimates. Any change in these estimates may have a material impact on the results of the Group.

As at December 31, 2024, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB15,076,822,000 (as at December 31, 2023: RMB15,181,413,000) and RMB3,048,031,000 (as at December 31, 2023: RMB2,735,677,000).

##### **Provision of ECL for trade receivables**

Credit-impaired trade receivables are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors that have similar loss patterns taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 16.

##### **Estimated impairment of goodwill**

Determining whether goodwill is impaired requires a significant degree of estimates made by the management in determining the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of fair value less costs of disposal and value in use. The recoverable amount has been determined by a value in use calculation of the relevant cash-generating units, to which goodwill has been allocated, primarily based on the cash flow projections and a discount rate. The key assumptions and inputs used in cash flow projections including selling price, volume of sales, gross profit margin, growth rate and discount rate. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or changes in facts and circumstances which result in downward revision of future estimated cash flows, further impairment loss may arise.

As at December 31, 2024, the carrying amount of goodwill was RMB672,014,000 (as at December 31, 2023: RMB672,014,000).

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### Estimated impairment of interests in associates

As at December 31, 2024, in view of impairment indicators, the Group performed impairment assessment on its interests in associates. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate its share of the present value of the estimated future cash flows expected to be generated by the associate taking into consideration assumptions including gross profit margin, discount rate and growth rate. Where the actual cash flows are less than expected, or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, an impairment loss may arise, which would be recognised in profit or loss for the period in which such a change takes place.

As at December 31, 2024, the carrying amount of the interests in associates amounted to RMB891,844,000 (as at December 31, 2023: RMB1,047,147,000).

#### 5. REVENUE AND SEGMENT INFORMATION

##### (i) Disaggregation of revenue from contracts with customers

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Types of goods:		
Sales of raw milk	15,100,802	12,902,987
Sales of feeds	4,446,410	5,209,450
Sales of ruminant farming products	414,757	396,773
Sales of breeding products	134,191	184,686
	<u>20,096,160</u>	<u>18,693,896</u>
Timing of revenue recognition:		
A point in time	<u>20,096,160</u>	<u>18,693,896</u>

##### (ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells raw milk, feeds, ruminant farming products and breeding products directly to its customers. Revenue is recognised when control of the goods has transferred, being at the point the customer received and accepted the goods.

For the sale of raw milk, payments are generally due in two weeks after delivery. The credit term for the sale of feeds, ruminant farming products and breeding products is normally one to three months for certain large customers and customers having long business relationship with the Group. The Group requests advance payments for certain new customers and such advance payments are recorded as contract liabilities until the control of the goods is transferred to the customers.

##### (iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Most of the sale contracts are for periods of one year or less. As permitted by IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

Information regarding segments is reported below.

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by senior management, which composed of executive directors of the Company and other senior management (being chief operating decision maker (the “CODM”)), in order to allocate resources to operating segments and to assess their performance focuses on types of products delivered. Specifically, the Group’s reportable segments under IFRS 8 Operating Segments are as follows:

- Raw milk business – raising and breeding dairy cows, and raw milk production
- Comprehensive ruminant farming solutions – trading, production and sales of feeds, ruminant farming products, and breeding products

### Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segments:

*For the year ended December 31, 2024*

	Raw milk business RMB’000	Comprehensive ruminant farming solutions RMB’000	Segment total RMB’000	Eliminations RMB’000	Total RMB’000
Segment revenue					
External customers	15,100,802	4,995,358	20,096,160	–	20,096,160
Inter-segment revenue	–	1,867,732	1,867,732	(1,867,732)	–
	<u>15,100,802</u>	<u>6,863,090</u>	<u>21,963,892</u>	<u>(1,867,732)</u>	<u>20,096,160</u>
Segment results	<u>3,577,569</u>	<u>509,803</u>	<u>4,087,372</u>		4,087,372
Loss arising from changes in fair value less costs to sell of biological assets					(3,921,360)
Share of losses of associates					(79,666)
Share of loss of a joint venture					(989)
Impairment loss of interest of associate					(88,964)
Fair value gain on financial assets at FVTPL					10,535
Unallocated other income and expenses					(158,937)
Unallocated finance costs					<u>(622,456)</u>
Loss before tax					<u>(774,465)</u>

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (Continued)

For the year ended December 31, 2023

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue					
External customers	12,902,987	5,790,909	18,693,896	–	18,693,896
Inter-segment revenue	–	2,295,293	2,295,293	(2,295,293)	–
	<u>12,902,987</u>	<u>8,086,202</u>	<u>20,989,189</u>	<u>(2,295,293)</u>	<u>18,693,896</u>
Segment results	<u>2,907,087</u>	<u>421,018</u>	<u>3,328,105</u>		3,328,105
Loss arising from changes in fair value less costs to sell of biological assets					(3,613,271)
Share of losses of associates					(126,559)
Share of loss of a joint venture					(541)
Fair value gain on financial assets at FVTPL					160,429
Impairment loss recognised in respect of goodwill					(120,966)
Unallocated other income and expenses					(146,296)
Unallocated finance costs					<u>(840,405)</u>
Loss before tax					<u>(1,359,504)</u>

Segment results represent the profit before tax earned by each segment without allocation of central administration costs, corporate income and expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value gain on financial assets at FVTPL, impairment loss recognised in respect of goodwill, share of loss of a joint venture, share of losses of associates and certain finance costs that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Inter-segment revenue is charged at prices agreed between group entities, which are determined by reference to the prices offered to third party customers.

### Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
<i>For the year ended December 31, 2024</i>					
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortisation charged to profit or loss	626,366	66,688	693,054	6,868	699,922
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	–	24,473	24,473	–	24,473
Impairment loss of property, plant and equipment and right-of-use assets	512,850	–	512,850	–	512,850
Impairment loss of investment properties	14,209	–	14,209	–	14,209
Loss on termination of lease agreements and sublease	6,008	–	6,008	–	6,008
(Gain)/Loss on disposal of property, plant and equipment	(1,131)	3,346	2,215	–	2,215
Interest income	(5,725)	(17,124)	(22,849)	(42,020)	(64,869)
Finance costs	276,575	4,456	281,031	622,456	903,487
Income tax expense	255	86,767	87,022	–	87,022
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets</b>					
Additions to non-current assets (Note)	7,182,951	49,476	7,232,427	–	7,232,427
Impairment loss of interest of associate	–	–	–	88,964	88,964
Interests in associates	–	–	–	891,844	891,844
Interest in a joint venture	–	–	–	3,558	3,558
Share of losses of associates	–	–	–	79,666	79,666
Share of loss of a joint venture	–	–	–	989	989

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information (Continued)

	Raw milk business RMB'000	Comprehensive ruminant farming solutions RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
<i>For the year ended December 31, 2023</i>					
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortisation charged to profit or loss	483,915	60,867	544,782	6,467	551,249
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	1,085	5,544	6,629	–	6,629
Impairment loss of property, plant and equipment	7,879	–	7,879	–	7,879
Impairment loss of investment properties	3,441	–	3,441	–	3,441
Fair value gains on derivative financial instruments	(2,792)	(852)	(3,644)	–	(3,644)
Gains on termination of lease agreements	(1,454)	–	(1,454)	–	(1,454)
Loss on disposal of property, plant and equipment	8,624	9,907	18,531	–	18,531
Interest income	(9,668)	(2,978)	(12,646)	(15,588)	(28,234)
Finance costs	193,617	48,570	242,187	840,405	1,082,592
Income tax expense	2,777	90,611	93,388	–	93,388
<b>Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets</b>					
Additions to non-current assets (Note)	8,893,193	80,423	8,973,616	–	8,973,616
Interests in associates	–	–	–	1,047,147	1,047,147
Interest in a joint venture	–	–	–	4,301	4,301
Share of losses of associates	–	–	–	126,559	126,559
Share of loss of a joint venture	–	–	–	541	541

*Note:*

Non-current assets excluded goodwill, financial instruments, deferred tax assets, interests in associates and interest in a joint venture.

### Geographic information

Since all revenue from external customers is derived from the customers located in Mainland China and all of the non-current assets are located in Mainland China, no geographic information is presented.

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Revenue from major customers

Revenue from the customer individually contributing over 10% of the total revenue of the Group is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Customer A:		
Revenue from sales of raw milk	14,322,781	12,447,239
Revenue from sales of feeds	139,749	171,542
Revenue from ruminant farming products	2,293	449
Revenue from breeding products	10,875	14,063
	<u>14,475,698</u>	<u>12,633,293</u>

## 6. COST OF SALES

An analysis of cost of sales is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of raw milk sold before fair value adjustments	10,156,340	9,206,651
Raw milk fair value adjustments	4,481,439	3,286,737
Cost of raw milk sold after fair value adjustments	<u>14,637,779</u>	<u>12,493,388</u>
Cost of feeds sold before forage grass fair value adjustments	3,736,992	4,582,318
Forage grass fair value adjustments	(12,530)	(11,491)
Cost of feeds sold after fair value adjustments	<u>3,724,462</u>	<u>4,570,827</u>
Cost of ruminant farming products sold	333,213	321,386
Cost of breeding products	86,625	113,756
Total cost of sales	<u>18,782,079</u>	<u>17,499,357</u>

## 7. OTHER INCOME

An analysis of other income is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants released from deferred income	84,819	190,578
Incentive subsidies ( <i>Note</i> )	323,733	182,799
Rental income	16,557	19,804
Bank interest income	55,266	22,208
Interest income from Yili Group	9,603	6,026
Income from sale of scrap materials	11,730	11,911
Compensation income	32,858	2,109
Write-back of other payables	4,653	5,003
Others	10,151	13,383
	<u>549,370</u>	<u>453,821</u>

*Note:*

The amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and subsidies for the purpose of giving financial support to the Group's operations. There are no unfulfilled conditions or contingencies relating to the above subsidies.

## 8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Impairment loss recognised on:		
Trade receivables	23,426	3,971
Other receivables	1,047	2,658
	<u>24,473</u>	<u>6,629</u>

## 9. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Foreign exchange differences, net	(1,178)	47
Loss on disposal of property, plant and equipment, net	(2,215)	(18,531)
Impairment loss recognised in respect of interests in an associate	(88,964)	–
Impairment loss on investment property	(14,209)	(3,441)
Fair value gain on derivative financial instruments ( <i>Note</i> )	–	3,644
Fair value gain on financial assets at FVTPL	10,535	160,429
Loss on partial redemption of convertible notes	–	(918)
(Loss)/gain on termination of lease agreements and sublease	(6,008)	1,454
Recovery of pre-acquisition doubtful debt of SKX Group	–	29
Others	(113)	717
	<u>(102,152)</u>	<u>143,430</u>

*Note:*

The fair value changes mainly represent gain/loss on commodity forward contracts entered as an economic hedge of the market price fluctuations on soybean meal and corn. The Group did not have open positions at the respective year end.

## 10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
Bank and other borrowings	850,016	850,078
Other liabilities	190	558
Lease liabilities	75,211	75,282
Unwinding of the discount of other provisions	892	850
Convertible notes	–	216,347
	<u>926,309</u>	<u>1,143,115</u>
Less: Amounts capitalised to construction in progress	<u>(22,822)</u>	<u>(60,523)</u>
	<u>903,487</u>	<u>1,082,592</u>

Borrowing costs capitalised to qualifying assets were based on actual borrowing costs incurred for specific and general borrowings.

## 11. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	98,847	87,355
(Over)/under provision in prior periods:		
PRC EIT	(6,026)	402
Deferred tax	<u>(5,799)</u>	<u>5,631</u>
	<u><b>87,022</b></u>	<u><b>93,388</b></u>

The Company is incorporated as an exempted company and as such is not subject to Cayman Islands taxation.

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from Hong Kong (2023: Nil).

Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC. In addition, certain subsidiaries operating in the PRC, including Inner Mongolia Youran Dairy Co., Ltd., Inner Mongolia Muquan Yuanxing Feeds Co., Ltd., Ningxia Yikangyuan Bio-Technology Co., Ltd., Wulanchabu Muquan Yuanxing Feed Co., Ltd. and Bayannur Muquan Yuanxing Feed Co., Ltd. are eligible for preferential tax rate of 15% under relevant preferential tax policy in relation to PRC western development. According to preferential tax policy of Heilongjiang, the PRC, for promoting local investment (Heizheng Han[2021] No.102), Duerbote Muquan Yuanxing Feed Co., Ltd. is eligible for 40% EIT reduction from 2022.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2023: 25%).

## 11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Loss before tax	<u>(774,465)</u>	<u>(1,359,504)</u>
Tax at the statutory rate of 25% (2023: 25%)	(193,616)	(339,876)
Tax effect of expenses not deductible for tax purpose	4,508	36,143
Effect of PRC tax exemption granted to agricultural business	78,616	177,945
Preferential income tax rates applicable to PRC subsidiaries	(43,791)	(39,932)
Effect of tax exemption granted to the Company	113,911	124,442
(Over)/under provision in respect of prior periods	(6,026)	402
Tax effect of additional deduction on certain research and development expenses	(12,325)	(11,136)
Tax effect of share of loss of a joint venture	247	135
Tax effect of share of losses of associates	19,917	31,640
Tax effect of tax losses not recognised	127,108	115,020
Utilization of tax losses previously not recognized	(1,527)	–
Tax effect of recognition of deductible temporary differences previously not recognized	<u>–</u>	<u>(1,395)</u>
Income tax expense	<u><u>87,022</u></u>	<u><u>93,388</u></u>

## 12. LOSS FOR THE YEAR

The Group's loss for the year is arrived at after charging:

	<b>2024</b> <b>RMB'000</b>	2023 <b>RMB'000</b>
Depreciation of:		
Property, plant and equipment	<b>1,143,153</b>	914,188
Investment properties	<b>1,531</b>	1,929
Right-of-use assets	<b>207,118</b>	199,768
Amortisation of intangible assets	<b>3,425</b>	2,412
	<hr/>	<hr/>
Total depreciation and amortisation	<b>1,355,227</b>	1,118,297
Less: Capitalised in biological assets	<b>(559,977)</b>	(465,749)
Capitalised in construction in progress	<b>(1,467)</b>	(6,405)
Capitalised in inventories	<b>(93,861)</b>	(94,894)
	<hr/>	<hr/>
Depreciation and amortisation charged directly to profit or loss	<b>699,922</b>	551,249
	<hr/>	<hr/>
Lease payments not included in the measurement of lease liabilities	<b>51,829</b>	30,028
Less: Capitalised in biological assets	<b>(15,283)</b>	(15,346)
Capitalised in inventories	<b>(19,212)</b>	(156)
	<hr/>	<hr/>
	<b>17,334</b>	14,526
	<hr/>	<hr/>
Auditors' remuneration	<b>7,400</b>	7,350
	<hr/>	<hr/>
Research and development costs recognised in profit or loss	<b>114,102</b>	64,846
	<hr/>	<hr/>
Employee benefits expense (including directors' remuneration):		
Salaries and allowances	<b>1,256,697</b>	1,163,879
Retirement benefit scheme contributions	<b>150,785</b>	136,725
	<hr/>	<hr/>
Total staff costs	<b>1,407,482</b>	1,300,604
Less: Capitalised in biological assets	<b>(441,535)</b>	(423,638)
	<hr/>	<hr/>
	<b>965,947</b>	876,966
	<hr/>	<hr/>

### 13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>2024</b> <b>RMB'000</b>	<b>2023</b> <b>RMB'000</b>
Loss for the purpose of basic and diluted loss per share	<b><u>(690,890)</u></b>	<b><u>(1,049,980)</u></b>
	<b>2024</b> <b>'000</b>	<b>2023</b> <b>'000</b>
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted loss per share	<b><u>3,843,268</u></b>	<b><u>3,795,404</u></b>

The computation of diluted loss per share for the year ended December 31, 2023 does not assume the conversion of the Company's convertible notes since their assumed conversion would result in a decrease in loss per share. The convertible notes were fully redeemed or matured before the year end of 2023.

### 14. DIVIDEND

During the year ended December 31, 2024, no final dividend in respect of the year ended December 31, 2023 (2023: a final dividend of RMB0.022 per share in respect of the year ended December 31, 2022) was proposed and paid for ordinary shareholders of the Company.

No dividend was proposed for ordinary shareholders of the Company in respect of the year ended December 31, 2024, nor has any dividend been proposed since the end of the reporting period.

### 15. INVENTORIES

	<b>31/12/2024</b> <b>RMB'000</b>	<b>31/12/2023</b> <b>RMB'000</b>
Raw materials	<b>4,095,576</b>	4,277,546
Finished goods	<b>145,862</b>	159,809
Semi-finished goods	<b>8,310</b>	8,246
Breeding products	<b><u>61,478</u></b>	<b><u>59,257</u></b>
	<b><u>4,311,226</u></b>	<b><u>4,504,858</u></b>

## 16. TRADE RECEIVABLES

	<b>31/12/2024</b> <b>RMB'000</b>	31/12/2023 <i>RMB'000</i>
Trade receivables	<b>766,343</b>	847,469
Less: Allowance for credit losses	<b>(74,700)</b>	(55,398)
	<b><u>691,643</u></b>	<u>792,071</u>

The following is the aged analysis of trade receivables, net of allowance for credit losses, presented based on the dates of delivery of goods:

	<b>31/12/2024</b> <b>RMB'000</b>	31/12/2023 <i>RMB'000</i>
Within 90 days	<b>571,639</b>	728,026
90 days to 180 days	<b>76,566</b>	47,101
181 days to 1 year	<b>32,730</b>	14,674
Over 1 year	<b>10,708</b>	2,270
	<b><u>691,643</u></b>	<u>792,071</u>

The following is the past due analysis of the carrying amount of trade receivables:

	<b>31/12/2024</b> <b>RMB'000</b>	31/12/2023 <i>RMB'000</i>
Not yet past due	<b>523,478</b>	719,885
Past due less than 30 days	<b>54,774</b>	27,709
Past due more than 30 days but less than 90 days	<b>55,778</b>	34,477
Past due more than 90 days	<b>57,613</b>	10,000
	<b><u>691,643</u></b>	<u>792,071</u>

The above trade receivables which have been past due more than 90 days are not considered as in default because these trade receivables relate to a number of independent customers for whom there was no recent history of default and they have a good track record with the Group.

For credit-impaired trade receivables, management will assess the corresponding expected credit loss individually. In addition, the Group uses practical expedient in estimating ECL on the trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors by groupings of customers with similar loss patterns (i.e., by product type and customer type) taking into consideration the Group's historical default rates and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

## 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2024 RMB'000	31/12/2023 RMB'000
<b>Classified under current assets:</b>		
Prepayments	151,252	298,682
Value-added tax recoverable	15,754	18,629
Deposits placed with brokers for commodity forward contracts	3,068	5,090
Rental receivables	1,679	9,379
Utility and other deposits	25,537	28,507
Compensation receivable	3,039	15,039
Advances to staff	1,552	1,022
Pledged receivable ( <i>Note</i> )	16,651	–
Other receivables	4,425	12,356
	<u>222,957</u>	<u>388,704</u>
Less: Allowance for credit losses	<u>(9,151)</u>	<u>(8,310)</u>
	<u>213,806</u>	<u>380,394</u>
<b>Classified under non-current assets:</b>		
Pledged receivable ( <i>Note</i> )	7,107	23,758
Finance lease receivables	298	5,259
Utility and other deposits	12,656	12,965
	<u>20,061</u>	<u>41,982</u>

*Note:*

The balance represents the dividend paid by SKX to the Group through China Securities Depository and Clearing Co., Ltd. As the Group has pledged 51.73% equity interest of SKX for certain long-term bank borrowings, the relevant dividend is also pledged and will be received by the Group upon the release of the pledged equity interest.

As at December 31, 2024, part of the bank borrowings is repayable within one year, and the corresponding dividends receivable are classified as current assets.

## 18. TRADE AND BILLS PAYABLES

	31/12/2024 <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
Trade payables	1,758,139	1,348,343
Bills payable	517,715	764,849
	<u>2,275,854</u>	<u>2,113,192</u>

The following is an aged analysis of trade payables presented based on delivery dates.

	31/12/2024 <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
Within 1 year	1,730,138	1,314,807
1 to 2 years	5,887	15,605
2 to 3 years	10,839	2,306
More than 3 years	11,275	15,625
	<u>1,758,139</u>	<u>1,348,343</u>

The maturity period of bills payable is normally within 1 year based on the invoice dates.

## 19. OTHER PAYABLES AND ACCRUALS

	31/12/2024 <i>RMB'000</i>	31/12/2023 <i>RMB'000</i>
Payables for purchase of property, plant and equipment	791,218	1,187,316
Salaries and welfare payables	340,014	288,566
Deposits received from suppliers	153,616	163,385
Service and professional fee payables	178,759	145,755
Freight charges payables	89,668	96,373
Storage fee payables	9,739	14,083
Non-income tax related tax payables	13,819	17,885
Sundry payables and accrued expenses	63,870	69,387
	<u>1,640,703</u>	<u>1,982,750</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

During the Reporting Period, China's consumer market showed steady recovery, while the adjustment of raw milk production capacity achieved more results. According to data from the National Bureau of Statistics, the total output of raw milk decreased by 2.8% year-on-year to 40.79 million tons, with year-on-year declines of 5.8% and 9.0% in the third and fourth quarters, respectively. However, weak consumer confidence and persistent supply-demand imbalances in the industry continued to exert significant pressure on the dairy products industry. As a result, both milk and cattle prices fell to multi-year lows. Data from the Ministry of Agriculture and Rural Affairs indicated that the average price of raw milk in China's major dairy-producing provinces decreased by 13.5% year-on-year to RMB3.32/kg during the Reporting Period. Under the circumstances, the market demand for ruminant concentrated feed and forage grass as well as breeding products was also suppressed. Nevertheless, the decline in prices of bulk raw materials partially offset the impact of lower raw milk prices on the industry. Data from the Ministry of Agriculture and Rural Affairs showed that the average prices of soybean meal and corn decreased by approximately 14.8% and 21.3% year-on-year, respectively. Additionally, according to statistics from China Customs, the price of imported alfalfa hay dropped by approximately 27.9% year-on-year, which alleviated cost pressures on the upstream dairy products industry to a certain extent and helped maintain a relatively stable development trend for the sector.

To promote the sustainable and stable development of the animal husbandry, alleviate challenges in the beef cattle and dairy cows sectors, and stabilize foundational production capacity, in September 2024, the Ministry of Agriculture and Rural Affairs, along with four other departments, jointly issued the Notice on Stabilizing Beef Cattle and Dairy Cows Production and Promoting Consumption (《關於穩定肉牛奶牛生產促進消費的通知》). This notice introduced a series of comprehensive policy measures, including initiatives such as “subsidies for expanding the dairy cow herd”, “issuing dairy product consumption vouchers”, and “expanding the Student Milk Program”. These efforts aim to establish a dynamic balance mechanism between production capacity regulation and demand stimulation.

In February 2025, the Opinions of the Central Committee of the Communist Party of China and the State Council on Further Deepening Rural Reform and Solidly Advancing Comprehensive Rural Revitalization (《中共中央國務院關於進一步深化農村改革、扎實推進鄉村全面振興的意見》) was released. The document proposed the development of new quality productive forces in agriculture, emphasizing breakthroughs in core technologies, continued advancement of industrialization in biological breeding, and support for the development of smart agriculture, as well as expanding application scenarios for technologies such as artificial intelligence and big data. It is evident that livestock enterprises with capabilities in high-quality breeding and intelligent farming technologies will become a key focus of policy support.

## BUSINESS REVIEW

As the largest provider of comprehensive products and services along the upstream dairy industry chain in China, the Group was principally engaged in providing premium raw milk and specialty raw milk to large-scale dairy manufacturers and offering comprehensive ruminant farming solutions to dairy farms during the Reporting Period.

During the Reporting Period, the Group actively responded to industry challenges and achieved breakthroughs through technological empowerment. The Group continued to promote the implementation of lean operations and the practice of digital management to further enhance operational efficiency. By accelerating the construction of high-yield core herds, we enhanced production performance effectively, and explored potential from multiple dimensions to reduce costs and increase efficiencies. Additionally, the Group continuously innovated and upgraded its product structure, actively promoted the development of industrial ecological model of county-level animal husbandry service centers, vigorously explored the development of the online platform *Jumuc.com* and offline pick-up store channels, optimized marketing strategies and strengthened the “product + service” strategy. As a result, the Group’s revenue amounted to RMB20,096 million during the Reporting Period, representing an increase of 7.5% as compared with RMB18,694 million in the period of 2023.

The following table sets forth the detailed information of the Group’s two business segments, i.e. raw milk and comprehensive ruminant farming solutions:

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Raw milk	Raw milk business	The Group provides premium raw milk and specialty raw milk to large-scale dairy manufacturers. Specialty raw milk mainly includes Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk, organic Jersey milk and dairy goat milk etc.	As of December 31, 2024, the Group operated 97 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China, with a herd size of over 620,000 heads of dairy cows and a herd size of nearly 20,000 heads of dairy goats. During the Reporting Period, the Group’s raw milk production was 3,747,448 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 5.0% from the period of 2023. Among them, the annualized average milk yield per milkable cow of SKX was 12.4 tons, representing an increase of 8.8% from 11.4 tons in the period of 2023. The pure Saanen dairy goats imported by the Group from New Zealand and Australia started to produce milk, and our specialty raw milk offerings were further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB15.10 billion, representing an increase of 17.0% from the period of 2023 and accounted for approximately 75.1% of the Group’s total revenue during the Reporting Period.

Business Segments	Business Lines	Business Introduction	Operations	Revenue
Comprehensive ruminant farming solutions	Feed business	The Group provides nutrition concentrated feed and forage grass for dairy farms that meet the demands of ruminants for their growth and production, and offers ancillary ruminant farming support services, such as ruminant nutrition, breeding techniques, and ruminant healthcare.	As of December 31, 2024, the Group operated 15 feed mills and 16 forage grass plantation bases in China. During the Reporting Period, the Group's production of concentrated feed was 1,142,885 tons.	During the Reporting Period, revenue from the Group's comprehensive ruminant farming solutions was approximately RMB5.00 billion and accounted for approximately 24.9% of the Group's total revenue during the Reporting Period.
	Ruminant farming products marketplace business	The Group provides ruminant farming products purchased from selected suppliers, such as veterinary drugs, animal husbandry equipment and other items for dairy farms, through its online platform, <i>Jumuc.com</i> , and offline pick-up stores and offers ancillary ruminant farming support services to diversify its product offerings and further address its customers' business needs.	During the Reporting Period, the Group provided over 10,000 ruminant farming products through its online platform, <i>Jumuc.com</i> , and 26 offline pick-up stores to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle in China and overseas.	As of December 31, 2024, the Group operated 5 key breeding bases, with one key breeding base for beef cattle having the highest standard in China and one key breeding base for Saanen dairy goats newly added during the Reporting Period. As of December 31, 2024, the Group's breeding bulls have a herd size of 112 heads. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,144,814 straws/units, and the output of sex-sorted embryos was over 25,000 units, representing a year-on-year increase of 75.7%, making us one of the dairy cow breeding companies in China that pioneered the scaled production and commercial application of high-yield dairy cow sex-sorted embryos.	

# I. PERFORMANCE OF EACH BUSINESS SEGMENT AND OPERATION REVIEW

## (I) Raw Milk Business

The Group has established long-term and stable relationships with large dairy manufacturers in the PRC. During the Reporting Period, the major customers of the Group's raw milk business included Yili Group, Bright Dairy, and Junlebao Dairy, etc.

The following table sets forth certain key operating data with respect to the Group's raw milk business for the periods and as of the dates indicated:

	As of December 31, 2024	2023	Year-on-year change (%)
Number of self-operated dairy farms <sup>Note 1</sup>	97	91	Increased by 6 farms
Number of dairy cows (in heads)	621,568	582,739	6.7
Including: Milkable cows	324,908	284,208	14.3
Calves and heifers	296,660	298,531	(0.6)
Proportion of milkable cows in the herd size of dairy cows	52.3%	48.8%	Increased by 3.5 percentage points
Herd size of dairy goats (in heads)	19,164	7,707	148.7

*Note:*

1. Includes one newly operated dairy goat farm with a planned herd size of 50,000 heads, which is currently the biggest dairy goat milk farm in China and is about to be a world-class breeding goats farm.

	For the year ended December 31, 2024	2023	Year-on-year change (%)
Raw milk production volume (in tons)	3,747,448	3,020,182	24.1
Raw milk sales volume (in tons)	3,669,563	2,945,840	24.6
Average price of raw milk (RMB/kg)	4.12	4.38	(5.9)
Annualized average milk yield per milkable cow (excluding Jerseys <sup>Note 1</sup> <sup>Note 2</sup> (in tons)	12.6	12.0	5.0
Including: SKX (in tons)	12.4	11.4	8.8

*Notes:*

1. Jerseys are a breed of small dark brown dairy cow originating from the Jersey Islands, the English Channel, with a high milk fat and milk protein content and lower milk yield per milkable cow as compared to Holsteins.
2. For the year ended December 31, 2024, the annualized average milk yield per milkable cow is calculated by dividing the total raw milk production volume by the average number of milkable cows during that period.

### ***Farm overview and herd structure***

As of December 31, 2024, the Group operated 97 modern dairy farms (including 1 dairy goat milk farm) across 17 provinces in China, and the number of dairy cows was 621,568, including 324,908 milkable cows, accounting for 52.3% of the total number of the Group's dairy cows, increasing by 3.5 percentage points as compared with 48.8% as of December 31, 2023. The number of dairy cows increased by 6.7% as compared with 582,739 as of December 31, 2023. As of December 31, 2024, the number of dairy goats was 19,164, including 6,876 milkable goats, 12,288 young female goats and female goat lambs. The optimization of herd structure has laid the foundation for the Group to further enhance its profitability.

### ***Dairy farms operation management and raw milk production volume***

The Group's raw milk business, empowered by its technological strategic transformation, the effective promotion of lean management and the efficient synergy of its various businesses, adhered to high-yield and longevity, precise feeding and utilized the advantages of breeding technology, resulting in a significant improvement in the operational efficiency of dairy farms. During the Reporting Period, the Group's raw milk production amounted to 3,747,448 tons, representing an increase of 24.1% from 3,020,182 tons for the period of 2023. The annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons, representing an increase of 5.0% from 12.0 tons for the period of 2023, among which the annualized average milk yield per milkable cow of SKX was 12.4 tons, representing an increase of 8.8% from 11.4 tons for the period of 2023.

The Group's dairy farms operations management initiatives are described below:

- i. Effective implementation of lean production management. The Group has adopted the TPM system as its core framework, systematically enhancing farm efficiency through the "Lean Culture – Standardized Processes – Digital Transformation" model. This approach has driven a year-on-year increase of 5.0% in the annualized average milk yield per milkable cow (excluding Jerseys) and a year-on-year decrease of 14.3% in feed cost per kilogram of raw milk. All quality indicators of the raw milk surpassed EU standards. Notably, Dayang Ranch passed the final audit for the Award for Excellence in Consistent TPM Commitment by the Japan Institute of Plant Maintenance (JIPM), becoming the first dairy farm in China to receive this certification. This achievement signifies that the Group's lean management has reached internationally advanced levels.

- ii. Effective synergies across businesses. The Group has effectively integrated ruminant feed research and development (“**R&D**”) with advanced breeding techniques. Leveraging its in-house R&D team, dairy cow nutrition database, and production bases, the Group has established a comprehensive “Precise Nutrition – Efficient Farming – High-Quality Breeding” value chain. Through precise nutrition assessments, customized premix feeds, and carbon-reducing products such as “Lv Mu You Jia (綠牧優加)”, the Group has significantly improved the milk yield per milkable cow, milk protein content, and feed conversion efficiency, while simultaneously reducing methane emissions. By combining embryo transfer technology with the identification of the cow herds with high-yield and low emission, the Group has accelerated genetic improvement, achieving goals of resource-intensive utilization and green, low-carbon development. These efforts have laid a solid foundation for sustainable business growth.
- iii. Empowering business with technology. The Group has established a technology system centered on “Data-Driven Decision Making – Smart Internet of Things (IoT) – Breeding Innovation”. Leveraging its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, the Group has integrated 20 subsystems, including the early warning for dairy farming related index and body condition scoring, to achieve digital management throughout the entire lifecycle of dairy cows. The Group has also built a precision nutrition system for dairy cows, upgraded TMR precision feeding, and established an automated evaluation system to improve feed conversion efficiency. Additionally, the deployment of AI-powered sprinkler and intelligent environmental control equipment has effectively reduced water consumption and dairy cow stress. By applying ovum pick-up-in vitro fertilization (OPU-IVF) embryo transfer technology combined with whole-genome testing, the Group has completed genetic improvements for nearly 20,000 dairy cows. Through the creation of triple barriers in data assets, intelligent equipment, and breeding technologies, the Group has significantly enhanced dairy farm efficiency and profitability. During the Reporting Period, Inner Mongolia Youran’s full-industry-chain intelligent livestock solution was selected as a model case of 2024 national intelligent agriculture construction by the Ministry of Agriculture and Rural Affairs, solidifying its leading position in the technological development of the upstream dairy industry.
- iv. The strategically placed new dairy farms and one dairy goat farm have begun to release their production capacity. During the Reporting Period, the Group put 6 new dairy farms into operation, including 1 organic dairy farm and 1 dairy goat farm, which further enriched the specialty raw milk offerings of the Group. The Group will continue to optimize the structure of raw milk products and provide consumers with higher quality and healthier dairy products.

- v. Practicing low-carbon and environmental protection strategy. The Group has advanced its low-carbon transformation through three major pathways: energy substitution, equipment innovation, and industry standard-setting leadership. In terms of energy substitution, during the Reporting Period, the Group added 3 new photovoltaic farm projects, bringing the total number of photovoltaic farm projects implemented to 11, of which 5 have achieved self-sufficiency in green power. Additionally, the Group upgraded coal/biomass boilers to air-source heat pumps and waste heat recovery systems in 54 dairy farms, significantly improving energy efficiency. For low-carbon equipment innovation, the Group actively promoted the use of electric loaders and intelligent electric feed-pushing robots. During the Reporting Period, it pioneered the introduction of new energy equipment, such as electric milk-transporting vehicles, and installed high-efficiency energy-saving livestock fans in 2 dairy farms. Furthermore, the Group completed AI-powered precision sprinkler upgrades in 15 dairy farms, effectively reducing energy consumption. In terms of industry standard-setting leadership, during the Reporting Period, the national standard Greenhouse Gases – Quantification Methods and Requirements for Product Carbon Footprint – Livestock Products (《溫室氣體 產品碳足蹟量化方法與要求 畜產品》), formulated by the Group, in collaboration with the Chinese Academy of Agricultural Sciences and other institutions, was officially released. The release of this standard marks a significant breakthrough for the Group in the field of carbon footprint quantification in the animal husbandry, providing the sector with scientific and unified evaluation criteria. Additionally, the Group obtained low-carbon dairy farm certifications for 4 dairy farms and low-carbon breeding certification for 1 dairy farm. Notably, the dairy farm in Jinan received the authoritative “Four-Star Low-Carbon Dairy Farm” certification from the CTC, setting a benchmark for green and low-carbon development in the industry.

### ***Raw milk R&D and study on dairy farming technology***

Leveraging its own dairy nutrition database, the Group has established an advanced platform for herd nutrition and health R&D. Through gene screening and embryo technology, the Group has driven genetic improvements in its core herd population, continuously optimizing feed conversion and precision nutrition to achieve simultaneous enhancements in herd production efficiency and the nutritional value of raw milk. Concurrently, the Group has developed specialty raw milk products. During the Reporting Period, it expanded into goat milk production, forming a diversified product matrix that includes Jersey milk, A2 milk, DHA milk, organic milk, and goat milk.

In the area of green farming, the Group has conducted research on carbon emission reduction technologies, utilizing advanced equipment to monitor methane emissions. It has also developed and launched carbon-reducing feed products and promoted the cultivation of high-yield corn varieties. Additionally, the Group has participated in formulating standards related to low-carbon farming and carbon footprint accounting, establishing a replicable low-carbon operational model. These efforts provide the industry with replicable technical solutions.

## (II) Comprehensive Ruminant Farming Solutions

As the scale of dairy farming in China continues to expand and farming technologies advance, the Group has deeply recognized that high-quality forage and feed, along with advanced breeding technologies, are the foundation for ensuring the health and high productivity of dairy cows. Based on this understanding, the Group has fully committed to optimizing its business layout, with its advantages across multiple key dimensions becoming increasingly prominent. Innovations in feed R&D have led to the introduction of highly efficient and premium products. A comprehensive technical service network has been established to provide timely and precise support. The quality grass selection and cultivation, combining domestic and international technologies, have improved both the quality and yield of forage grass. Breakthroughs have been achieved in independent herd genetic improvement and sex-sorting technologies, effectively enhancing herd quality and farming efficiency.

### *The “product + service” operation model to upgrade service strength*

The Group provides high-quality feed covering the full lifecycle of ruminants, focuses on developing high-tech products such as premixes and functional feed, creates breeding products with core competitiveness, continuously improves the quality and conversion rate of grass products, and fully converges with international standards in terms of technology R&D, product innovation capabilities and technical service standards, so as to continuously improve the Group’s product and service strength and brand power.

Leveraging its strategies of the dual-talent systems of dairy farming and farming solutions, core technology accumulation of its in-house technical team, and advantages accumulated from its own long-term and large-scale farming in different regions with different scales, the Group established a senior expert service team comprising nearly 200 experts with technical services and dairy farm management experience to provide customers with various services such as comprehensive diagnosis, tailored solutions, breed selection and matching, precision nutrition, effective breeding and technology escrow. These, together with the Group’s online platform *Jumuc.com*, county-level animal husbandry service centers and pick-up stores, provide customers with comprehensive one-stop solutions.

Guided by an innovation-driven philosophy, the Group has established an intelligent, data-centric integrated solution system. By integrating industry benchmark practices and incorporating lean management models, the Group has enhanced customer feeding efficiency and resource utilization, continuously empowering farm profitability growth. Additionally, the Group has established a technical collaboration mechanism, introducing cutting-edge animal husbandry technologies. Through training and case study sharing, it disseminates advanced concepts, helping farms reduce costs and improve efficiency, which has garnered significant market recognition.

### *Concentrated feed business*

The Group has deepened its expertise in ruminant animal nutrition and actively expanded its business during the Reporting Period, adding three new product categories to bring the total to twelve. These categories precisely cater to the needs of dairy cows, beef cattle, mutton sheep, dairy goats, camels and yaks. With professional formulations and high-quality products, the Group provides precision nutrition solutions for ruminant animals at different growth stages and with varying production performance requirements, further solidifying its leading position in this field.

During the Reporting Period, the Group's concentrated feed sales volume reached 878,120 tons. However, due to the market environment characterized by narrowing profit margins in the dairy cows and beef cattle and mutton sheep farming industries, sales volume decreased by 5.0% year-on-year. In response to cyclical industry fluctuations, the Group implemented a multi-dimensional strategic upgrade. This included developing new products, upgrading existing products, enhancing technical service capabilities, optimizing marketing strategies, and establishing a new model for the ecological development of county-level animal husbandry service centres. These measures provided customers with comprehensive one-stop solutions, effectively enhancing their operational efficiency. Additionally, the Group deepened its lean operational management system by optimizing production processes, improving formula designs, and controlling production costs, with a particular focus on expanding the market for concentrated feed products for beef cattle and mutton sheep. These initiatives yielded significant results, with the gross profit margin of the feed business increased by 3.9 percentage points year-on-year.

### *Optimization of production capacity layout and green intelligent upgrade*

The Group processes and produces concentrated feed through “self-construction dairy farms + cooperation with third parties”. As of December 31, 2024, the Group operated 15 feed mills in China. During the Reporting Period, the Group's concentrated feed production amounted to 1,142,885 tons, representing a decrease of 3.5% from 1,184,630 tons for the period of 2023, due to the effect from market environment and cyclical industry fluctuations.

The Group's newly built feed mills are all equipped with state-of-the-art equipment and facilities as well as high-end technologies, laying a solid foundation for the improvement of production efficiency and product quality. During the Reporting Period, the premix production plant in Ulanqab passed the certification audit of FAMI-QS (European Feed Additives and Premixtures Quality System), providing more precise and high-quality solutions for the industry's nutritional needs in the era of high-yield productivity.

In terms of intelligent upgrade, during the Reporting Period, the Group's feed mills introduced fully automated packing production systems and micro-dosing systems, etc., which, combined with the "deep integration of the Enterprise Resource Planning (ERP) system and central control system", realized the automation and intelligence of the production process and significantly improved production efficiency and management level, providing strong technology support for full optimization of the business chain. The Daqing Muquan Yuanxing Feed Production Base\* (大慶牧泉元興飼料生產基地) of the Group was awarded the title of "2024 Heilongjiang Province Digital (Intelligent) Demonstration Workshop." This recognition marks a successful implementation of the Group's digitalization strategy in its feed business.

In the field of green and sustainable development, Inner Mongolia Muquan Yuanxing Feed Co., Ltd.\* (內蒙古牧泉元興飼料有限責任公司), a subsidiary of the Group, has implemented various initiatives, including the application of green electricity through photovoltaic power generation, upgrading to new energy vehicles, adopting environmentally friendly filling processes, promoting bulk packaging models, and developing and launching low-carbon feed products. During the Reporting Period, it successfully obtained a carbon neutrality certificate from the CTC, becoming the first "zero-carbon factory" in China's feed industry. This achievement sets a benchmark for the industry's green transformation.

#### *Brand building and channel expansion*

In terms of feed brand building, the Group achieved innovative breakthroughs during the Reporting Period by strategically launching three major brands: "Lv Mu You Jia (綠牧優加)", which focuses on low-carbon environmental protection and efficiency improvement; "Yuan Yi Mu YXC (元益牧YXC)", which enhances the immune function and feed utilization of beef cattle and mutton sheep through multi-stage fermentation technology with composite strains; and "Mu Heng You (牧恒優)", specifically tailored to the nutritional parameters of grassland sheep at various growth stages. The synergistic layout of these three brands has further expanded the product matrix, providing farmers with a richer selection of nutritional options. During the Reporting Period, aligned with the "Dual Carbon" goals, the Group significantly enhanced its brand influence by establishing the industry's first "zero-carbon factory", hosting a new product launch event for carbon-reducing feeds, and implementing integrated online and offline marketing campaigns.

In terms of channel expansion of the feed business, the Group has adopted a precision service model, providing customers with personalized “one farm, one solution” service plans to enhance market penetration in the dairy cow feed sector. Leveraging the “Thousand-Ton Initiative”, the Group has established a standardized SOP nutritional management system for beef cattle and mutton sheep, while also creating benchmark beef cattle farms for customers. Additionally, the Group has entered into a strategic cooperation with Fuping County, Shaanxi to explore the dairy goat feed market. Addressing the industry pain point of the “last-mile” delivery in the supply chain, the Group has strategically established 27 county-level animal husbandry service centers in regions such as Inner Mongolia, Shandong, Gansu and Ningxia. By integrating online and offline development models, these centers facilitate efficient connections across supply chain nodes, promoting high-quality industry development. These initiatives have driven a year-on-year increase of 44.5% in the sales volume of concentrated feed for non-dairy livestock such as beef cattle and mutton sheep, fully demonstrating the significant effectiveness of the channel expansion strategy.

*Concentrated feed product development and technology research to promote product excellence*

The Group has positioned technological innovation as its core strategy. In the field of low-carbon technologies, our independently developed “Lv Mu You Jia (綠牧優加)” carbon-reducing and yield-enhancing feed achieves dual optimization of carbon emission reduction and production performance. Related achievements have been published in three papers in journals included in the international Science Citation Index (“SCI”) and domestic core journals, and have received authoritative certifications, establishing the Group as an industry technology benchmark. For dairy cow farming, we have launched new concentrated and complete feeds, improving nutrition and conversion efficiency while reducing overall costs through formula upgrades. Additionally, we have optimized calf anti-diarrhea formulas and the trace mineral ratios for breeding cows, enhancing milk quality indicators and reproductive efficiency. In the beef cattle and mutton sheep sector, we have introduced products such as lamb concentrate supplements, mutton sheep premixes, and fattening concentrates for beef cattle and mutton sheep, significantly improving feed conversion rates and weight gain speeds. Leveraging bio-fermentation technology, we developed “Yuan Yi Mu YXC (元益牧YXC)”, which enhances animal immunity, and achieved regionally adaptive efficiency improvements through the “Mu Heng You (牧恒優)” grassland sheep customization program. In the field of camel nutrition, we innovatively developed a series of lactation feed products, increasing milk yield and simultaneously improving milk protein and fat content through high-fiber energy ratios. Moving forward, we will continue to advance green feed R&D and international technological collaboration to drive high-quality and sustainable development in the animal husbandry.

### *Extensively practicing lean management to improve operational capabilities*

The Group has deeply implemented the TPM system and lean operational management in its feed business, achieving efficiency improvements through lean transformation across the entire value chain. During the Reporting Period, the Group focused on the implementation of three core initiatives: i. building automated equipment and intelligent management systems, optimizing and reconstructing production processes to achieve zero-fault production, improving overall equipment efficiency, and reducing production loss rates; ii. establishing a strategic procurement mechanism and a dynamic optimization model for warehousing and logistics, and leveraging big data analysis to enhance raw material inventory turnover rates; iii. optimizing feed formulations to reduce formula costs while improving raw material utilization. The lean management philosophy has also been extended to the customer side. Through data diagnostics and on-site guidance, the Group has helped customers optimize their operational processes and enhance overall profitability. These systematic lean practices have driven continuous improvement in the feed business, injecting long-term momentum into high-quality business development.

### *Forage grass business*

The Group laid out premium forage grass plantation bases centred on Ar Horqin Banner, the China's "Grass Capital", and promoted long-term sustainable development of the integrated plantation and dairy farming model by giving full play to the synergies between the livestock breeding and forage grass business segments. The Group established ancillary forage grass plantation bases in proximity to our dairy farms and built a total of 16 forage grass plantation bases for the production of high-quality forage grass products, realizing the efficient utilization of resources and the deep integration of the industry chain, and providing stable and high-quality forage resources for the raw milk business.

### *High-quality products and industry-leading technology*

During the Reporting Period, the Group significantly enhanced the environmental adaptability and yield of alfalfa hay through its self-developed alfalfa cold-resistant gene technology and alfalfa excellent germplasm hybridization technology and other technologies, through which the overall regreening rate of the Group's alfalfa hay reached over 88%, ranking top in the industry. Meanwhile, the Group took the lead in developing the wrapped silage technology, which effectively retains alfalfa protein, improves the palatability for dairy cows and assures the quality of alfalfa to the greatest extent. In addition, the Group pioneered the SOP management system for alfalfa hay cultivation in the industry, achieving standardized management of the whole process from planting to harvesting, ensuring the high quality and stability of the products. The average yield of silage corn per mu at the Wuwei Forage Grass Plantation Base reached 5.01 tons, with both dry matter and starch content exceeding 32%. Through the R&D and application of large-scale alfalfa and oat intercropping technology, the Group has effectively reduced the production and operation costs, improved the efficiency of land use and further enhanced its market competitiveness.

### *Integration of plantation and dairy farming and ecological sustainability*

The Group took the lead in implementing the technology and model of integration of plantation and dairy farming in China to actively promote the improvement of saline-alkali and sandy land, and conducted in-depth research on soil carbon sequestration technology to promote the “increase of foreign carbon sink exchange” of plantation bases. By optimizing the technical standards of the integrated plantation and dairy farming model, the Group achieved standardized operations for water and fertilizer integration, and implemented no-tillage carbon sequestration seeding operation in about 65,300 mu of land, significantly enhancing both the ecological and economic benefits of the land.

### *Deep integration of science and technology innovation and production practice*

The Group actively undertook and carried out a number of experiment works of scientific and technological projects to empower the operation of forage grass with science and technology. During the Reporting Period, the Group successfully completed the project of “Research and Integrated Demonstration of Key Production and Processing and Utilization Technology of Large-scale High-quality Alfalfa Hay (規模化優質苜蓿草關鍵生產與加工利用技術研究及集成示範)” under the initiative of revitalizing Inner Mongolia through science and technology, developed 6 sets of large-scale alfalfa production and processing utilization technologies in the northern region, and applied for patents and took the lead in formulating a number of group and local standards. Simultaneously, the Group advanced multiple projects under the initiative of revitalizing Inner Mongolia through science and technology. By undertaking scientific and technological research projects, the Group closely integrated the practice of high-quality forage production with scientific and technological innovation, and continued to improve the level of field management and care. Significant achievements have been achieved in variety selection, standardized plantation, efficient water-saving irrigation, alfalfa regreening, afforestation and sand fixation, pest prevention and control and formula fertilization testing and other aspects, which have enhanced production efficiency. In addition, through technological empowerment, the Group has also promoted the standardization and large-scale development of forage grass production. The implementation of these projects not only enhanced the technological content of forage grass production, but also provided technical support and demonstration cases for the sustainable development of the industry.

Leveraging its strengths in digital agriculture, precision agriculture and sustainable agricultural management, the forage grass business from Yihe Lvjin (伊禾綠錦) within the Group successfully secured a spot in the key cases of the United Nations Food and Agriculture Organization during the Reporting Period. This achievement has provided valuable experience for the innovative transformation of China’s agricultural system.

### ***Ruminant farming products marketplace business***

As of December 31, 2024, the Group provided over 10,000 ruminant farming products for customers through the online platform, *Jumuc.com*, 26 offline pick-up stores nationwide, which comprehensively covered various core business operational needs of dairy farms and provided one-stop sourcing solutions to its customers.

During the Reporting Period, revenue from the Group's dairy farming products business amounted to RMB415 million, representing an increase of 4.5% as compared to RMB397 million for the period of 2023, such increase was mainly attributable to:

- (i) Integration of strengths in the industrial chain, expansion of new business and creation of private label products. The Group gave full play to its industry chain integration advantages by actively expanding new business areas and focusing on building private label products, expanding agricultural sales channels by establishing a new sales model for vaccines, covering more regions and markets. Meanwhile, the Group has entered into in-depth strategic cooperation with more than ten famous domestic and overseas suppliers, jointly developed a series of high-quality private label products and established an agency cooperation model. During the Reporting Period, the Group successfully launched its own branded medicated bath liquid “Juweidian (聚威典)”, and initiated regional agency cooperation with strategic suppliers, which further enhanced the market coverage and brand influence of the products and built up strong core competitiveness.
- (ii) Ensuring product quality and optimizing the mobile experience and platform functions of *Jumuc.com*. The Group has always regarded product quality as the core of its business development. By building a comprehensive supply chain traceability system, the Group ensures that the quality of its platform products is controllable and the source of the products can be traced, so as to enhance the credibility of its platform and the transparency of its product information, thereby strengthening customer trust. At the same time, the Group continued to optimize the mobile experience and responsive design of *Jumuc.com* platform by developing mobile applications and increasing the usage scenarios of mini programs for mobile use, which enabled customers to conveniently complete their procurement and management operations anytime and anywhere. These initiatives not only enhanced the user experience, but also further improved the platform's full supply chain operational efficiency.

## ***Breeding Business***

The Group provides dairy farms with diversified breeding products including regular frozen bovine semen, sex-sorted frozen bovine semen and embryos for dairy cattle and beef cattle, and accelerates the development of a world-class breeding bulls system through the dual-wheel drive of in-house breeding and international cooperation. Through strategic cooperation with world's leading breeding companies, the Group integrates global high-quality germplasm resources, promoting the commercialization of whole genome testing technology. Combined with sex-sorted embryo production and transfer technology, the Group customizes precise genetic improvement solutions for ranches to assist in the efficient construction of core herds. Meanwhile, relying on the online platform *Jumuc.com*, the Group has deepened its customer services and continued to enhance its product penetration and market competitiveness, thereby solidifying its leading position in the industry.

During the Reporting Period, the sales volume of the breeding products of the Group amounted to 1,144,814 straws/units, representing a decrease of 16.4% as compared to 1,368,707 straws/units during the period of 2023 due to short-term industry factors. However, the Group actively adjusted the structure of breeding products to enhance the production and sales of embryo products for the overall genetic level of dairy cows. During the Reporting Period, the Group produced over 25,000 sex-sorted breeding embryos of dairy cows, representing a year-on-year increase of 75.7%, and became one of the breeding companies in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

### ***Overview and distribution of breeding bases***

The Group is operating a total of five modernized breeding bases in Inner Mongolia, China and Wisconsin, the United States, of which three are core breeding bases for dairy cattle, one is a key breeding base for beef cattle and one is a key breeding base for Saanen dairy goats. As of December 31, 2024, the Group's breeding bulls have a herd size of 112 heads.

The dairy cattle breeding base in Qingshuihe, Inner Mongolia is a core breeding farm that meets international standards with a designed capacity of 3,500 dairy cows. Equipped with a world-class embryo production laboratory, it integrates ovum pick-up-in vitro fertilization (OPU-IVF) technology and sex-sorted technology to realize the rapid expansion of high-yield dairy cows and breeding cows. The annual production capacity includes 50,000 high-yield sex-sorted embryos, 2,000 breeding embryos, and 500 breeding bulls. In the future, it will become China's largest and most technologically integrated cow breed supply base, effectively alleviating the shortage of high-yield dairy cows in China.

During the Reporting Period, the Group commissioned a core beef cattle breeding base in Qingshuihe, Inner Mongolia, which meets the highest standard in China. The base introduced high-quality Simmental dairy cows from Australia and New Zealand, and established a comprehensive beef cattle breeding database to record genealogy, growth and reproductive performance data, which provides strong data support for accurate beef cattle breeding. This base is able to breed 200 high-quality breeding bulls and produce one million straws of frozen bovine semen annually. The Group is committed to building a large-scale and high-quality production platform for beef cattle breeding embryos and breeding sex-sorted frozen bovine semen, providing a solid guarantee for the optimization of the germplasm resources and sustainable development of China's beef cattle industry.

During the Reporting Period, the Group commenced operations of one Saanen dairy goats key breeding base in Qingshuihe, Inner Mongolia, which imported pure Saanen breeding goats from New Zealand and Australia. As of December 31, 2024, the number of breeding goats, young male goats and male goat lambs reached 590. This base not only meets the Group's needs for expanding its dairy goat population, but will also provide a reliable breed source for the dairy goat breeding system in the future, continuously supporting industry upgrades with superior breed sources.

#### *Breeding product development and technological innovation*

The Group has long been committed to breaking through the “breeding bottleneck” in high-end breeding sources and technologies development, as well as their industrial application. Leveraging its own high-standard core breeding base and embryo engineering center platform, the Group has deeply integrated the advanced research capabilities of Academician Zhang Yong (張涌)’s workstation, the Company’s own research institute with six laboratories, the National Dairy Technology Innovation Center – Dairy Cow Breeding and Farming Research Center, the Ministry of Agriculture and Rural Affairs’ Key Laboratory of Cow Germplasm Creation and Embryo Engineering Technology, and the Dairy Herd Improvement (DHI) testing system. During the Reporting Period, the Group, in collaboration with universities and research institutions, achieved multiple significant technological breakthroughs and practical outcomes in the field of livestock biological breeding:

- (i) Breakthroughs in independent breeding: we developed a new technology for producing breeding embryos in dairy cows using Ovum Pick-Up-Intracytoplasmic Sperm Injection/In Vitro Fertilization (OPU-ICSI/IVF). By exploring breed sources from internationally top-ranked bulls and high-quality domestic cows, the Group achieved mass production of dairy cow breeding embryos at an internationally leading level. The first batch successfully bred 8 reserve breeding bulls, marking a milestone in the establishment of an independent dairy cow breeding system;
- (ii) Upgrading precision breeding: we independently developed the “Breeding No. 1 Chip (育種1號芯片)”, which precisely locates functional gene loci related to “high yield, longevity, and disease resistance”. Leveraging the “Breeding Big Data Platform”, which integrates 9 million sets of DHI production data and 30,000 sets of type classification data, the Group has significantly improved the accuracy of genetic evaluation and the efficiency of genetic testing for dairy cows. This provides core technical support for the genetic improvement of the localized “Chinese Dairy Cow” population and the extension of productive lifespans of breeding cows;

- (iii) Innovation in sex-sorted technology: based on the XY sperm-specific proteins discovery and gene editing technology in dairy cows and dairy goats, the Group has developed key new technologies and new products for sex-sorted frozen semen production. This drives the iteration of sex-sorted technology towards higher efficiency and simplification, providing innovative technical support for precise gender regulation in livestock;
- (iv) Disease-resistant/stress-resistant new strains: we conducted stem cell/somatic cell gene editing and successfully established core technical processes for gene editing vector design and cell screening. The Group has taken the lead in entering the stage of gene editing – cloned embryo production – embryo transplantation for functional regulation of offspring, laying the technical foundation for breeding new livestock strains with disease resistance and stress resistance;
- (v) Industrial application of sex-sorted embryos: we innovatively integrated a series of technologies for in vivo/in vitro sex-sorted embryo production in dairy cows. The Group systematically optimized key technologies, including the genetic performance of donor cows for embryo production, superovulation hormone combinations, Ovum Pick-Up-In Vitro Fertilization (OPU-IVF) embryo development, and cryopreservation. This has established an efficient production technology process for high-yield dairy cow sex-sorted embryos. During the Reporting Period, over 25,000 high-yield sex-sorted embryos were produced, accelerating the rapid expansion of elite breeds and enhancing breeding efficiency.

The aforementioned achievements mark significant progress in the Group's efforts to achieve "independent and controllable breed sources and self-reliant core breeding technologies" in livestock. These advancements have further enhanced the precision and efficiency of dairy cow genetic evaluation technologies and streamlined the livestock sex-sorted production technologies. They have also expanded key areas such as the development of disease-resistant and stress-resistant new livestock strains and the industrial application of sex-sorted embryo technologies, achieving systematic and major breakthroughs in independent breeding, particularly in dairy cows, in terms of both breed sources and technologies. This provides core support for ensuring the security of China's livestock breeding industry and enhancing its industrial competitiveness.

Leveraging on the Group's continuous investment and the development and application of its core technologies, during the Reporting Period, according to the latest evaluation results of the comprehensive breeding value of Chinese dairy breeding bulls released by the National Animal Husbandry Service, among the 1,022 genomically evaluated young Holstein bulls nationwide, the bulls bred by the Group excelled in the level of genetic breeding and successfully secured the top three spots and occupied six out of the top ten spots. Meanwhile, according to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2024, among the genomic dairy bulls from China registered with the American National Association of Animal Breeders, 10 bulls bred by the Group were ranked among the top 20 in China. This series of achievements fully demonstrated the Group's leading strength in the field of dairy breeding and further consolidated our competitive advantages in both domestic and overseas markets.

## II. RESEARCH AND DEVELOPMENT STRATEGIES MANAGEMENT

Leveraging more than four decades of experience in operation and research, and its own breeding sources of over 620,000 dairy cows and nearly 20,000 dairy goats, the Group has continued to plough into the R&D efforts of the whole industry chain in the upstream dairy industry, focusing on innovation of herd farming technologies, development of specialty raw milk, research on the nutrition value of feed, breakthroughs in genetic improvement technology and sex-sorting technology for cattle, as well as systematic exploration and practice of integrated farming model and eco-farming standards, promoting industrial technology upgrading. During the Reporting Period, R&D investment increased significantly by 76.0% year-on-year.

The Group focuses on the improvement of the quality and competitiveness of its products with innovative technologies. In particular:

- i. The core technology R&D system. As of December 31, 2024, the Group's R&D team consisted of nearly 400 personnel, all possessing extensive experience in their respective industries. Supported by our in-house R&D team, the Group added 12 new patented technologies for authorization during the Reporting Period, and possessed a total of 91 core patented technologies, covering each of our business lines. During the Reporting Period, the Group participated in the formulation and release of 1 national standard, 4 local standards and 1 group standard, forming solid technical barriers;
- ii. Construction of diversified product matrix. During the Reporting Period, the Group successfully launched the goat milk category and expanded its specialty raw milk to 8 categories, which, benefiting from its certain scarcity, was less affected by the declining price of raw milk. The Group developed and launched proprietary concentrated feed products, such as structural calf feed, rumen bypass soybean meal, premixes, heat stress resistant perinatal feed, low-carbon and high-yield feed products, and continued to improve its ruminant nutrient solutions;
- iii. Key technology research and achievement transformation. The Group has built a leading ruminant nutrient database in China, deepened the application of herd genetic improvement technology and sex-sorting technology, and innovated forage grass processing technology and planting mode. Through joint efforts with renowned colleges and research institutions, the Group promoted agricultural biological breeding major program, major demonstration projects adopting the "open competition mechanism" under the guidance of the National Dairy Technology Innovation Centre and the action of "revitalizing Inner Mongolia through science and technology" in the Inner Mongolia Autonomous Region, and accelerated the industrialization of R&D results by focusing on the key technological issues of the upstream industrial chain of the dairy industry, such as dairy cattle breeding and cultivation, mining of high-quality germplasm sources for dairy cattle and alfalfa germplasm selection and breeding technology. During the Reporting Period, in terms of forage grass business, the Group continued to promote projects of revitalizing Inner Mongolia through science and technology including "Breeding of New Varieties of High-quality Alfalfa and Industrialization Demonstration (優質苜蓿新品種選育及產業化示範)", "Key Technology Research and Demonstration of High-efficiency Water-saving in the Forage Belt of the Yellow River Basin in Inner Mongolia (內蒙古黃河流域飼草帶高效節水關鍵技術研究與示範)", "Screening and Cultivation of High-quality Forage Suitable for Saline-alkali Land and Key Technology Research and

Demonstration of Cultivation (鹽鹼地適栽優質飼草篩選及栽培關鍵技術研究與示範)” and “Alfalfa Herbicide Residue and Reduction Technology Research and Demonstration (苜蓿除草劑殘留與消滅技術研發與示範)”. In terms of breeding business, the Group has continued to promote a number of scientific research projects such as “Construction of Efficient Production and Implantation Technology for Sex-sorted Embryos of Dairy Cows (奶牛性控胚胎高效生產與移植技術構建)”, “Construction of a Big Data Platform for Dairy Breeding and Research on Functional Gene Mining (奶牛育種大數據平台建設與功能基因挖掘研究)”, “Research on the Key Technology for Breeding Low-Carbon Emission and Heat-Stress Resistant Dairy Cows and Technological Innovation for Introducing and Expanding Breeding Technology for Dairy Sheep (低碳排放與抗熱應激奶牛培育關鍵技術研究及奶羊引種擴繁技術創新)”, and “Key Technological Innovation for Mining Germplasm Sources of High-end Dairy Cows and Efficient Breeding (高端奶牛種源挖掘及高效繁育關鍵技術創新)”.

### III. QUALITY ASSURANCE

Sticking to the mission of “Creating the Source Power for the Healthy Life of Human Beings with Quality” and carrying forward the management concept that quality is life, the Group continue to consolidate the foundation for quality management through three cores, namely quality culture construction, full-chain quality control and high-quality products output. We continue to implement the quality management system among all the staff, during the full process and in all aspects and adheres to the production program of “high quality, high standards and high requirements” to ensure that product quality is always at the leading level in the industry.

The Group adheres to the philosophy of “good breeding breeds good cows, good feed raises good cows, and good cows produce good milk”. The Group has formulated more than 1,400 strict control standards for each step of the process, from forage grass planting, feed processing, breeding and production to fresh milk transportation, and ensured that they are implemented in place through real-time monitoring, analysis and gate-keeping. Meanwhile, based on international advanced standards, we continuously upgrade the quality management system, and have passed various food safety and quality related management system certifications, including the SQF (Safe Quality Food system), ISO9001 (the quality management system), ISO22000 (the food safety management system) and ChinaGAP (China Good Agricultural Practice), ISO17025 (China National Accreditation Service for Conformity Assessment (CNAS) Laboratory Management System), and FAMI-QS (European Feed Additives and Premixtures Quality System). As the first comprehensive enterprise of dairy farming and feed processing in China that has passed SQF certification, the Group has deeply integrated international standards with basic management to create the “full value chain” quality management model, which has continuously improved product quality and market competitiveness.

The Group has established a leading near-infrared nutrition database with the volume of marked samples exceeding one million, which provides important support for accurate nutrition and efficient testing in animal husbandry. The Group has ensured the high-quality feed ingredients and products for self-operated dairy farms and feed customers by applying raw material adulteration identification technology in the animal husbandry industry. In addition, relying on the near-infrared database, the quality information management system and the EHSQ (Environment, Health, Safety and Quality) management system, the Group has realized the intelligent collection, transmission and analysis of quality information of the whole chain, which has significantly improved quality management efficiency. In addition, during the Reporting Period, the Group, in response to the testing needs of various units for nutritional digestibility indicators, successfully expanded a new testing method for the gelatinization degree of pressed corn, which was comprehensively promoted in 27 central laboratories across the country, providing highly efficient data support for nutritional formulations.

During the Reporting Period, the Group continued to optimize its quality assurance and risk prevention and control system through auditing mechanism, quality alert mechanism and supplier evaluation mechanism. We achieved significant results in quality improvement by quickly identifying known and unknown risks, improving the quality management information system and implementing the normalizing quality assurance control points (QACP) inspection mechanism, etc. 31 dairy farms passed the Student Milk Dairy Farm certification, and 39 dairy farms passed the S-level (highest level) certification for Classification and Evaluation of Modern Dairy Farm.

During the Reporting Period, the Group's products consistently maintained a 100% pass rate in the quality sampling tests conducted by national supervision and inspection authorities at all levels. The key quality indicators of raw milk, namely aerobic plate count and somatic cell count, were significantly exceeding the standards set forth in China's Premium Milk Initiative (中國國家優質乳工程) and the industry standards of the United States, Japan and the European Union.

#### **IV. PROCUREMENT STRATEGIES MANAGEMENT**

The Group utilizes a "full lifecycle" supplier management system, focuses on the core strategy of cost reduction and efficiency enhancement, and achieves significant improvement in supply chain efficiency through various procurement strategies such as hedging of futures, strategic reserve, direct purchase from sources, global purchases and dynamic pricing, as well as the implementation of the "Digitalization Project of the Whole Process of Material Procurement Planning and Execution". During the Reporting Period, through 75 collaborative projects with 20 strategic suppliers, we carried out in-depth cooperation in the areas of technology sharing, resource integration and product development, fully exploring opportunities for cost reduction and revenue enhancement, and at the same time, promoting lean management and talent cultivation on the ranch.

The Group has actively promoted sustainable development cooperation with its suppliers and jointly promoted the deforestation-free soybean meal project with strategic suppliers to help low-carbon farming. Starting from May 2024, the Group's Cilechuan Intelligent Dairy Farm has taken the lead in using certified deforestation-free soybean meal, marking an important step in the construction of the Group's green supply chain and laying a solid foundation for the realization of the goal of low-carbon farming.

## V. DIGITAL MANAGEMENT

Adhering to the principle of “data-driven business innovation, technology-driven value-added business”, the Group fully leveraged the value of platform data, such as near-infrared database and CNAS-certified laboratories, to optimize and upgrade the existing Intelligent Farm Cloud, financial sharing platform, human resources sharing platform, EHSQ management system, the *Jumuc.com* platform and other digital assets. Through integration and governance mechanisms, the Group focuses on building four core capabilities: information management of the whole lifecycle of dairy cows and the whole process of production and operation; integrated management and control platform of business, finance and human resources; integrated management and traceability of environment, health, safety and quality; and precise marketing, service and in-depth pipeline management capacities.

The Group took the lead in the industry to build a “fully intelligent unmanned barn”, which adopted fully intelligent unmanned milking robots, feeding robots, material pushing robots, dung cleaning robots, the TMR hatching system and the intelligent biological fermentation system, which are the most internationally advanced. In combination with the IoT technology, the temperature, humidity, gas and light of the barn are real-time adjusted and conditioned, which greatly improves the comfort of dairy cow feeding and enhances the management accurate of dairy farms, improves operational efficiency, and provides intelligent protection for the production of high-quality raw milk.

During the Reporting Period, the Group independently developed digital tools such as “Precision Nutritional Program for Dairy Cows”, “Livestock Early Warning System”, “Raw Material Cost Performance Dynamic Calculation Platform”, “AI Precision Sprinkler System”, “Youyi Raw Material Trading Platform” and “Youchuang Platform”. Leveraging the “Deep Integration of ERP System and Central Control System” and big data platform and AI algorithm model, the Group gradually achieved the automation of production and operation of data collection, unmanned operation and remote management, and comprehensive optimization of business chain.

The Group has continued to optimize its operational efficiency and cost structure through the in-depth integration of digital technology with its business, injecting a strong impetus for high-quality development and further consolidating its leading position in the industry.

## VI. BUILDING A SUSTAINABLE DEVELOPMENT MODEL

The Group adheres to a green, ecological and sustainable development strategy, continuously deepens the sustainable development management system, constantly integrates core issues on sustainable development with business development and innovation and vigorously promotes the long-term mechanism on sustainable development to set an example to the industry. During the Reporting Period, the Group was striving to meet the established strategic goal of reaching peak carbon emissions in 2030 and carbon neutrality in 2050, and actively implementing various carbon reduction initiatives to promote sustainable development in multiple dimensions, including carbon inventory, carbon emission reduction, carbon asset development and carbon sink construction.

In terms of carbon inventory and verification, the Group has continuously carried out relevant work, and further optimized the carbon neutrality action plan based on the carbon inventory results to ensure that the carbon neutrality work is done thoroughly. In terms of carbon emission reduction, the Group focuses on the continuous optimization of energy structure, actively promotes the research and application of ruminant carbon reduction technology, biological breeding technology and efficient low-carbon manure treatment technology, and develops diversified emission reduction methods, so as to effectively reduce greenhouse gas emission intensity. In terms of carbon asset development, the Group has completed relevant work plan and actively promoted the development of carbon assets. During the Reporting Period, the biogas project of the dairy farm in Jinan was approved by the official technical audit of the Verified Carbon Standard (VCS) and successfully issued 49,600 tons of carbon credits. Meanwhile, in terms of carbon sink construction, the Group vigorously develops the “planting-dairy farming integration” model, promotes grassland improvement and forage planting and the construction of low-carbon circular pastures to expand the carbon sink storage space. During the Reporting Period, the Group built ancillary forage grass plantation bases near its dairy farms, and actively cooperated with silage suppliers and other suppliers. The actual land area under the integrated plantation and dairy farming model was nearly 2,000,000 mu, injecting strong impetus into green development.

The Group has been actively leveraging its industrial and technological advantages by implementing the “Straw to Milk” program, providing local farmers with organic fertilizers and promoting silage varieties free of charge, enhancing the starch content of the purchased silage corn and its conversion rate and boosting the incomes of farmers and herdsmen in the vicinity at the same time, and enhancing the quality of agricultural products and the value of agricultural output.

During the Reporting Period, the Group’s sustainable development practices were recognized by various parties, with the S&P Global Corporate Sustainability Assessment (CSA) score increasing by 13 points compared with the previous year, and was successfully selected in the Sustainability Almanac (China Edition) 2024 (《可持續發展年鑒(中國版) 2024》) of S&P Global, making it the only company in the food industry recognized as the “Best Progress Enterprise in the Industry (行業最佳進步企業)”. In addition, the Group successfully passed the ISO14001 (Environmental Management System) certification and was awarded the management level (Grade B) rating in the three areas of climate change, water safety and forest risk in 2024 by the Carbon Disclosure Project (CDP).

## VII. PROSPECTS

Going forward, the Group will grasp the development opportunities arising from the national policy dividend and the promotion of consumption, unswervingly implement the Company's established strategic policies, continue to implement the six core strategic initiatives in depth, take innovation as the strong driving force, empower all businesses in an all-round manner with the help of digitalization means and lean management mode. By giving full play to the advantages of platform, synergy across the industry chain and talent resources, the Group has been adhering to the concept of green and sustainable development, fully building its core competitiveness, improving operational efficiency and expanding its revenue and profit margins, as detailed below:

- i. the raw milk business will focus on building high-yield benchmark farms, reducing the cost of raw milk per kilogram, increasing the yield and profit per cow from the implementation of precise nutrition, waste reduction and diversification of feed ingredients, strengthening technology-empowered business, building smart farms, independently developing high-value digital intelligent systems/equipment, enhancing the efficiency of production and operation of its own farms, and empowering the industry to upgrade as a whole;
- ii. the feed business will expand the market coverage, provide systematic solutions to customers through the "product + service" model, enhance the profitability of customers, and tide over the difficulties of the industry. The Group will continue to deepen the model of county-level animal husbandry service centers to build the ecology of the industrial chain and enhance customer stickiness and market competitiveness;
- iii. the forage grass business will improve the quality, production and conversion rate of forage, optimize the planting mode and processing technology, provide high quality forage grass resources for ranches and reduce the cost of farming; and
- iv. the breeding business will breed breeding cattle with excellent quality and produce high-quality and low-cost frozen semen and embryos to promote the independent control of germplasm sources for dairy cows, beef cows and dairy goats, and to help the industry improve genetically.

The Group will continue to consolidate and expand its long-term advantages of "the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout and high-efficiency operation" to promote the sustainable and high-quality development and to create value for customers, Shareholders, employees and the society, thus contributing to the revitalization of China's dairy industry.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by 7.5% from RMB18,694 million for the period of 2023 to RMB20,096 million for the Reporting Period.

The following table sets forth a breakdown of our revenue by our business segments for the periods indicated:

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Raw milk	<b>15,100,802</b>	12,902,987
Comprehensive ruminant farming solutions	<b>4,995,358</b>	5,790,909
Total	<b><u>20,096,160</u></b>	<b><u>18,693,896</u></b>

The increase in our total revenue was primarily due to the growth of raw milk business.

Our revenue generated from raw milk increased by 17.0% from RMB12,903 million for the period of 2023 to RMB15,101 million for the Reporting Period, which was mainly due to the increase of 24.6% in the sales volume of our raw milk from 2,945,840 tons for the period of 2023 to 3,669,563 tons for the Reporting Period as a result of continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure; due to the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in domestic raw milk, the average unit price of raw milk of the Group was RMB4.12/kg for the Reporting Period, representing a decrease of 5.9% as compared to RMB4.38/kg for the period of 2023.

Our revenue generated from comprehensive ruminant farming solutions decreased by 13.7% from RMB5,791 million for the period of 2023 to RMB4,995 million for the Reporting Period, which was mainly due to (i) the decrease in sales volume resulting from the influence of industry demands and prompt and proactive adjustments in our sales strategy based on risk control; and (ii) the decline in the market price of bulk raw materials. The Group has made dynamic adjustments to product prices, leading to a lower income.

## Cost of sales

Our cost of sales increased by 7.3% from RMB17,499 million for the period of 2023 to RMB18,782 million for the Reporting Period.

The following table sets forth a breakdown of the cost of sales before fair value adjustments by business segments for the periods indicated:

	For the year ended December 31,	
	2024 (RMB'000)	2023 (RMB'000)
Raw milk	10,156,340	9,206,651
Comprehensive ruminant farming solutions	4,156,830	5,017,460
Total	14,313,170	14,224,111

The increase in cost of sales of the Group was primarily due to the growth of raw milk business and the effect of fair value adjustment on agricultural produce.

Cost of sales for the raw milk business before raw milk fair value adjustments increased by 10.3% from RMB9,207 million for the period of 2023 to RMB10,156 million for the Reporting Period, which was primarily due to new dairy farms being put into operation successively and the increase in the number of dairy cows.

During the Reporting Period, the Group's average feed cost of premium raw milk and specialty raw milk was RMB2.10/kg, representing a decrease of 14.3% from the period of 2023, which was primarily due to the continuous decrease in the market price of bulk raw materials, and the Group's precise control of the procurement timing through supply chain process management, which maximized the reduction of raw material procurement costs, as well as our enhanced lean operation management and continuous improvement in feed conversion rate and milk yield per milkable cow.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments decreased by 17.2% from RMB5,017 million for the period of 2023 to RMB4,157 million for the Reporting Period, which was primarily due to the Group's strengthened lean operation management, active development of new raw materials, increase in the use of cost-effective raw materials, the effective progress in cost reduction of product formula, and the precise control of the procurement timing to maximize the reduction of raw material procurement costs.

Fair value adjustment on agricultural produce included in cost of sales increased by 36.4% from RMB3,275 million for the period of 2023 to RMB4,469 million for the Reporting Period.

## **Gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest**

Our gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest were RMB3,275 million for the period of 2023 and RMB4,469 million for the Reporting Period, respectively, mainly due to the combined effect of the increase in sales volume of raw milk and the overall decline in the domestic selling price of raw milk. According to the requirements of IFRSs, agriculture produce shall be initially recognized at fair value less costs to sell at the point of harvest and the difference between fair value less costs to sell and the actual cost incurred shall be included in profit or loss.

## **Gross profit and gross profit margin**

As a result of the foregoing, we recorded a gross profit of RMB4,470 million for the period of 2023, representing a gross profit margin of 23.9%, and a gross profit of RMB5,783 million for the Reporting Period, representing a gross profit margin of 28.8%.

The following table sets forth a breakdown of our gross profit and gross profit margin by raw milk business and comprehensive ruminant farming solutions business for the periods indicated:

	For the year ended December 31,			
	2024		2023	
	RMB'000 (except for percentage)			
	Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin
Raw milk	4,944,462	32.7%	3,696,336	28.6%
Comprehensive ruminant farming solutions	838,528	16.8%	773,449	13.4%
Total	5,782,990	28.8%	4,469,785	23.9%

The increase in gross profit margin was primarily due to the decrease in the purchase price of bulk raw materials in the domestic market, which, coupled with the Group's realization of cost reduction and efficiency enhancement through continued promotion of lean operation management and efficient collaboration across various businesses, led to an increase in the Group's gross profit margin.

The gross profit of the raw milk business increased from RMB3,696 million for the period of 2023 to RMB4,944 million for the Reporting Period. The gross profit margin of the raw milk business increased from 28.6% for the period of 2023 to 32.7% for the Reporting Period, which was mainly due to the decrease in the purchase price of bulk raw materials in the domestic market, and the combined impact of the Group's precise control of the procurement timing through supply chain process management to maximize the reduction of raw material procurement costs, and the Group's strengthened lean operation management and continuous improvement in feed conversion rate and milk yield per milkable cow.

The gross profit of the comprehensive ruminant farming solutions business increased from RMB773 million for the period of 2023 to RMB839 million for the Reporting Period. The gross profit margin of comprehensive ruminant farming solutions business increased from 13.4% for the period of 2023 to 16.8% for the Reporting Period, mainly because of the increase in gross profit margin of the sales of feeds business due to the timely, proactive adjustment and optimization of sales strategy, as well as strict control of costs by the Group.

#### **Losses arising from changes in fair value less costs to sell of biological assets**

Our losses arising from changes in fair value less costs to sell of biological assets increased from RMB3,613 million for the period of 2023 to RMB3,921 million for the Reporting Period, which was primarily due to the effects of loss arising from the decline in the selling price of raw milk and the decline in the market prices of beef cattle and heifers during the Reporting Period, which was partially offset by the increase in milk yield per milkable cow and continuous decline of feed cost.

#### **Other income**

Our other income increased by 21.1% from RMB454 million for the period of 2023 to RMB549 million for the Reporting Period, which was primarily due to the increase in incentive subsidies and the increase in interest income.

#### **Impairment losses under expected credit loss model, net of reversal**

Our impairment losses under expected credit loss model, net of reversal increased from RMB7 million for the period of 2023 to RMB24 million for the Reporting Period, which was primarily due to the impact of the dairy industry environment, and the provisions made for bad debt losses on several customers by the Company.

#### **Impairment loss recognised in respect of goodwill**

Our impairment loss recognised in respect of goodwill for the period of 2023 amounted to RMB121 million, while there was no impairment loss for goodwill during the Reporting Period.

#### **Impairment loss recognised in respect of property, plant and equipment and right-of-use assets**

Our impairment loss recognised in respect of property, plant and equipment and right-of-use assets for the period of 2023 amounted to RMB8 million, and that for the Reporting Period amounted to RMB513 million. This was mainly due to the impact of the industry environment, which has led to indications of impairment on certain long-term assets of the Group's dairy farms located in low raw milk price regions in Northwest China. In accordance with the requirements of IAS 36 Impairment of Assets, the Group conducted impairment tests. Based on the results of these tests, the Group recognised impairment losses for the portion of the long-term assets whose recoverable amount was lower than their carrying amount.

#### **Other gains and losses**

Our other gains and losses for the period of 2023 reflected a gain of RMB143 million, and a loss of RMB102 million for the Reporting Period, primarily due to the increase in the impairment loss recognised in respect of interests in associates, and the decrease in fair value gain on financial assets at FVTPL.

## **Selling and distribution expenses**

Our selling and distribution expenses increased by 2.1% from RMB620 million for the period of 2023 to RMB632 million for the Reporting Period, which was primarily due to the combined impact of (i) the increase in freight charges resulting from the increased sales of raw milk; and (ii) less marketing expenses. The proportion of selling and distribution expenses in our revenue decreased from 3.3% for the period of 2023 to 3.1% for the Reporting Period, which was primarily due to the efficient operation and management of the Group, leading to significant results in cost control.

## **Administrative expenses**

Our administrative expenses increased by 3.7% from RMB778 million for the period of 2023 to RMB807 million for the Reporting Period, which was primarily due to the increased administrative expenses for new dairy farms put into operation and the increased insurance expenses for new cattle, resulting in a year-on-year increase in total expenses. The proportion of administrative expenses in our revenue decreased from 4.2% for the period of 2023 to 4.0% for the Reporting Period, primarily due to efficient operation and management of the Group, leading to significant results in cost control.

## **Other expenses**

Our other expenses increased by 74.6% from RMB70 million for the period of 2023 to RMB123 million for the Reporting Period, which was primarily due to a year-on-year increase in the expenditure as a result of more investment in R&D by the Group.

## **Finance costs**

Our finance costs decreased by 16.5% from RMB1,083 million for the period of 2023 to RMB903 million for the Reporting Period, which was primarily due to decreased finance costs as a result of the decline in the Group's total bank borrowings and a lower financing rate.

## **Loss before tax**

As a result of the foregoing, the Group's loss before tax decreased from RMB1,360 million for the period of 2023 to RMB774 million for the Reporting Period.

## **Income tax expense**

Our income tax expense decreased by 6.8% from RMB93 million for the period of 2023 to RMB87 million for the Reporting Period, primarily due to the decline in profit from our taxable business.

## **Loss for the year**

As a result of the foregoing, we generated a loss of RMB1,453 million for the period of 2023, compared with a loss of RMB861 million for the Reporting Period, representing a year-on-year reduction in loss of 40.7%, primarily due to (i) the increase in gross profit arising from the Group's increased sales and decreased selling cost per kilogram of raw milk during the Reporting Period, which has offset the effect of the decline in the price of raw milk on profit resulting from the temporary imbalance of the supply and demand in raw milk; (ii) the increase in gross profit of the comprehensive ruminant farming solutions business; and (iii) the decrease in finance cost.

## Non-IFRSs Measures

To supplement our consolidated financial information which is presented in accordance with IFRSs, we also use certain financial measures which are not required by, or presented in accordance with IFRSs. We believe that these non-IFRSs measures provide useful information to investors and others in understanding and evaluating our consolidated financial results in the same manner as our management.

The use of these non-IFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRSs. The Group's presentation of such adjusted figures may not be comparable to a similar measure presented by other companies. However, the Group believes that these measures reflect the Group's normal operating results by adjusting for the potential impacts of certain non-recurring items, and thus facilitate comparisons of operating performance from period to period and company to company to the extent applicable.

The Group uses the following financial measures that are not required by or presented in accordance with IFRSs <sup>Note</sup>:

- i. Cash EBITDA represents profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) impairment loss recognised in respect of property, plant and equipment and right-of-use assets, (v) loss arising from changes in fair value less costs to sell of biological assets, (vi) income tax expense, (vii) finance costs, (viii) interest income, and (ix) depreciation and amortisation charged to profit or loss. The impairment loss recognized in respect of property, plant and equipment and right-of-use assets was included in the "Other gains and losses" account in prior years; and
- ii. Profit for the year (before biological assets fair value adjustments) is derived from loss for the year excluding loss arising from changes in fair value less costs to sell of biological assets.

*Note:*

The Company previously used adjusted (loss)/profit for the year attributable to owners of the Company, which represented (loss)/profit attributable to owners of the Company for the year after adjusting the difference between the effective interest of the Convertible Notes recognised at amortised cost and the interest calculated at 4% of the nominal interest rate. As the Convertible Notes were fully redeemed prior to the Reporting Period, the adjustment item is RMB0 for the Reporting Period (RMB190 million for the period of 2023) and thus this non-IFRS measure is equivalent to (loss)/profit for the year attributable to owners of the Company for the Reporting Period.

The following tables reconcile the Group's adjusted cash EBITDA and profit for the year (before biological assets fair value adjustments) from the most directly comparable financial measure calculated and presented in accordance with IFRSs.

## Cash EBITDA

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss for the year</b>	<b>(861,487)</b>	<b>(1,452,892)</b>
<b>Adjustments:</b>		
Other gains and losses	<b>102,152</b>	(143,430)
Impairment loss recognised in respect of goodwill	–	120,966
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	<b>512,850</b>	7,879
Impairment losses under the expected credit loss model, net of reversal	<b>24,473</b>	6,629
Losses arising from changes in fair value less costs to sell of biological assets	<b>3,921,360</b>	3,613,271
<b>Adjusted profit for the year</b>	<b>3,699,348</b>	<b>2,152,423</b>
<b>Adjustments:</b>		
Income tax expense	<b>87,022</b>	93,388
Finance costs	<b>903,487</b>	1,082,592
Interest income	<b>(64,869)</b>	(28,234)
Depreciation and amortisation charged to profit or loss	<b>699,922</b>	551,249
<b>Cash EBITDA</b>	<b>5,324,910</b>	<b>3,851,418</b>

## Profit for the year (before biological assets fair value adjustments)

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss for the year</b>	<b>(861,487)</b>	<b>(1,452,892)</b>
<b>Adjustments:</b>		
Losses arising from changes in fair value less costs to sell of biological assets	<b>3,921,360</b>	3,613,271
<b>Profit for the year (before biological assets fair value adjustments)</b>	<b>3,059,873</b>	<b>2,160,379</b>

## Liquidity and Capital Resources

During the Reporting Period, the Group funded its cash requirements principally through a combination of cash generated from operating activities and bank borrowings.

The following table sets forth our cash flows for the periods indicated:

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash generated from operating activities	<b>5,838,114</b>	4,389,964
Net cash used in investing activities	<b>(5,596,889)</b>	(4,344,378)
Net cash (used in)/from financing activities	<b>(3,114,935)</b>	2,989,958
Net increase/(decrease) in cash and cash equivalents	<b>(2,873,710)</b>	3,035,544
Effects of foreign exchange rate changes	<b>38</b>	544
Cash and cash equivalents at the beginning of the year	<b>4,488,341</b>	1,452,253
<b>Cash and cash equivalents at the end of the year</b>	<b>1,614,669</b>	4,488,341

### **Net Cash Generated from Operating Activities**

During the Reporting Period, net cash generated from operating activities was RMB5,838 million. During the period of 2023, net cash generated from operating activities was RMB4,390 million.

### **Net Cash Used in Investing Activities**

During the Reporting Period, net cash used in investing activities was RMB5,597 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB4,810 million; (ii) payments for property, plant and equipment of RMB1,680 million; and (iii) payments for purchase of financial assets of RMB1,467 million, partially offset by the proceeds from the disposal of financial assets of RMB1,425 million and the proceeds from the disposal of biological assets of RMB736 million.

In the period of 2023, net cash used in investing activities was RMB4,344 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB5,188 million, (ii) acquisition of financial assets at FVTPL of RMB4,500 million, and (iii) payments for property, plant and equipment of RMB2,758 million, partially offset by the proceeds from the disposal of biological assets of RMB1,088 million and the proceeds from disposal of financial assets at FVTPL of RMB6,580 million.

### **Net Cash (Used in)/Generated from Financing Activities**

During the Reporting Period, net cash used in financing activities was RMB3,115 million, which was mainly attributable to (i) new bank and other borrowings of RMB25,958 million, and (ii) repayment of principal and interest payments on bank and other borrowings of RMB28,894 million.

In the period of 2023, net cash generated from financing activities was RMB2,990 million, which was mainly attributable to (i) new bank and other borrowings of RMB37,627 million, (ii) repayment of bank and other borrowings of RMB32,008 million, and (iii) payment for the redemption of the Convertible Notes of RMB1,450 million.

## Indebtedness

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Bank borrowings		
Unsecured	23,169,645	24,823,071
Secured	856,388	1,213,390
	<u>230,369</u>	<u>223,127</u>
Other borrowings	<u>24,256,402</u>	<u>26,259,588</u>
The carrying amounts of the above borrowings are repayable:		
Within one year	16,709,437	16,433,086
More than one year but within two years	2,108,005	3,851,780
More than two years but within five years	4,241,060	4,147,876
More than five years	1,197,900	1,826,846
	<u>24,256,402</u>	<u>26,259,588</u>
Less: Amounts due within one year shown under current liabilities	<u>(16,709,437)</u>	<u>(16,433,086)</u>
Amount shown under non-current liabilities	<u>7,546,965</u>	<u>9,826,502</u>
Lease liabilities	<u>2,236,807</u>	<u>1,822,701</u>
Less: Amount due within one year shown under current liabilities	<u>(248,410)</u>	<u>(220,788)</u>
Amount shown under non-current liabilities	<u>1,988,397</u>	<u>1,601,913</u>
Other liabilities at amortised cost	–	7,310
Portion classified under current liabilities	<u>–</u>	<u>(7,310)</u>
Portion classified under non-current liabilities	<u>–</u>	<u>–</u>

## Contingent Liabilities

As at December 31, 2024, the Group had no significant contingent liability.

## **Capital Commitment**

As at December 31, 2024, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB949 million (as at December 31, 2023: RMB1,617 million), representing a decrease as compared with the capital commitment of December 31, 2023, which was mainly due to the decrease in expense for purchase of assets as the Group completed the strategic blueprint of construction of dairy farms on the golden milk source belt, which led to significant reduction of investment scale.

## **Pledge of Assets**

As at December 31, 2024, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 51.73% of shares of SKX, 60.59% of shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% of shares of Tangshan Youran Dairy Co., Ltd. held by a wholly-owned subsidiary of the Group, as well as pledged and restricted bank deposits in the carrying amount of RMB6 million.

## **Foreign Exchange Risk**

The Group operates mainly in the PRC and majority of revenue and costs of goods sold and operations are denominated in RMB. Almost all of the revenue and costs are denominated in the respective functional currency of the Group's entities.

The Company has intra-group balances denominated in foreign currency with one subsidiary, which also exposes the Group to foreign currency risk.

The management of the Group has designated dedicated personnel to monitor the Group's foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

## **Significant Investments**

Save as disclosed in this announcement, the Group did not make or hold any significant investments (including any investment in an investee company representing 5%, or more of the Company's total assets as at December 31, 2024) during the Reporting Period.

## **Future Plans for Material Investments and Capital Assets**

Save as disclosed in this announcement, as of December 31, 2024, the Group did not have plans for material investments and capital assets.

## Material Acquisitions and/or Disposals

On February 19, 2024 (after trading hours of the Stock Exchange), the Company and Inner Mongolia Youran entered into a framework agreement, a share transfer agreement and a subscription agreement with China Genetics Holdings, Ltd. (“**China Genetics**”) and Huaxia Genetics Dairy Xinghua Co. Ltd. (“**Huaxia Genetics**”), an indirect wholly-owned subsidiary of China Genetics (collectively, the “**Agreements**”). Pursuant to the Agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 Shares to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase 78,100,000 shares of SKX from Huaxia Genetics. Further details of the aforementioned matter are set out in the announcements of the Company dated February 19, 2024 and July 15, 2024.

During the Reporting Period, Inner Mongolia Youran as the lessee and Xianyang Zhongshanmu Smart Agriculture Co., Ltd.\* (咸陽仲山牧智慧農業有限公司) (“**Xianyang Zhongshanmu**”) as the lessor entered into the lease agreement (the “**Lease Agreement**”) in respect of the lease of assets. The assets subject to the lease is a newly built high standard 10,000-head dairy farm (the “**Assets**”) located in Tiewang Township, Chunhua County, Xianyang City, Shaanxi Province, the PRC. In accordance with IFRS 16 (Leases), the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Assets under the Lease Agreement. Accordingly, the lease transaction under the Lease Agreement is regarded as acquisition of assets by the lessee for the purpose of the Listing Rules. Further details of the aforementioned matter are set out in the announcement of the Company dated March 28, 2025.

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

## Employees and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations by function as at December 31, 2024.

Function	Number of Staff	% of Total
Management Personnel	1,264	9.8%
Professional Personnel <sup>Note 1</sup>	1,449	11.2%
Technicians	3,016	23.3%
Skilled Personnel <sup>Note 2</sup>	6,864	53.1%
Supporting Personnel <sup>Note 3</sup>	337	2.6%
<b>Total</b>	<b>12,930</b>	<b>100.0%</b>

Notes:

1. Professional personnel primarily include staff who are responsible for human resources, finance, procurement and other functions.
2. Skilled personnel primarily include milkers, drivers, maintenance personnel, and calf raisers.
3. Supporting personnel primarily include custodians, chefs and cleaning operatives.

Our success depends on our ability to attract, retain, motivate qualified employees and maintain a stable core management team and technical team. In this regard, the Group adheres to “building an efficient talent supply chain”, and makes comprehensive layout of talent guarantee, capability enhancement, organisational efficiency and cultural construction. Details of which are set out below:

- i. Talent guarantee: The Group established cooperation relationships with colleges to achieve the integration of industry and teaching as well as the combination of industry and research, and continuously introduce quality industry talents. Meanwhile, we built “a specialised, yet versatile” and multi-skilled management team, improved the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to ensure the alignment of the career development of employees with the Group’s strategic goals.
- ii. Capability enhancement: The Group established a three-dimensional talent cultivation system that includes the delivery of managerial talents, the cultivation of positional competencies and the nurturing of experts. We utilised various forms of development, such as rotation training, online classes, offline special classes, talent cooperation and overseas study, to cultivate elite talents and establish a hierarchical and digitalised talent cultivation model. During the Reporting Period, the Group relied on the “Talent Leader” project, and focused on five major dimensions including the culture, curriculum, scene, experience and counseling, to strengthen the “combination of training and practice”, and promote the dual-driven model of nurturing people and talents. Additionally, the Group cooperated with domestic and international industry experts, colleges, and enterprises, selecting and sending outstanding talents to study abroad, so as to introduce advanced technology and management experience, to promote the transformation of resource and international exchange.
- iii. Organisational efficiency enhancement: The Group continued to promote strategic performance change, and strengthened the connection between strategies and organisational value. Through formulating the 2024 Business Unit Performance “Horse Race” Competition Plan (《2024年業務單位業績「賽馬」評比方案》), we launched the performance evaluation at three levels, with performance as the guiding force to stimulate the vitality of employees. Meanwhile, the Group enhanced the per capita labor efficiency through the introduction of automated equipment, the optimisation of management mode and the application of digital. In addition, we improved our incentive programs in innovation, revenue generation and cost reduction.
- iv. Cultural construction: The Group formulated a strategic direction with the guidance of our vision and deepened the operation and management philosophy, as well as the staff code of conduct, so as to strengthen cultural communication and system integration. During the Reporting Period, the Group upgraded its business philosophy and code of conduct, reigniting the entrepreneurial spirit of “second venture”, and promoted our corporate culture through cultural team building, training and empowerment, learning and dissemination, and theme activities, comprehensively creating consistency from concepts to actions and enhancing the company’s core competitiveness.

The Group’s total remuneration expenses, excluding contributions to pension plans, for the Reporting Period were RMB1,257 million, representing an increase of 8.0% as compared to RMB1,164 million for the period of 2023.

## Significant Events after the Reporting Period

On March 28, 2025, the Company renewed the shared financial services framework agreement (the “**Shared Financial Services Framework Agreement**”) with Yili. The Shared Financial Services Framework Agreement shall be effective commencing from January 1, 2026 to December 31, 2028, pursuant to which Yili intends to provide accounting-related shared financial services to the Group. On March 28, 2025, the Company renewed the purchase and sale framework agreement (the “**Purchase and Sale Framework Agreement**”) with Beijing YouYuan Farm Technology Corporation (北京優源牧業科技集團有限公司) (the “**YouYuan Farm**”). The Purchase and Sale Framework Agreement shall be effective for a period commencing from January 1, 2026 to December 31, 2028, pursuant to which YouYuan Farm intends to purchase comprehensive ruminant farming solutions products and services from the Group.

For further details, please refer to the announcement of the Company dated March 28, 2025.

Save as disclosed in this announcement, there are no other significant events that might affect the Group since December 31, 2024 and up to the date of this announcement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders of the Company. During the Reporting Period, the Company had adopted and complied with all the applicable code provisions of the Corporate Governance Code except for the deviation as set out below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the roles between the chairman and president should be separate and should not be performed by the same individual. Mr. Yuan Jun (“**Mr. Yuan**”) has been performing both the roles of chairman and the president of the Company since June 14, 2024, and resigned as executive Director, chairman and the president on March 28, 2025. On March 28, 2025, Mr. Hao Haijun (“**Mr. Hao**”) has been appointed as executive Director, chairman and the president of the Company. After careful evaluation by the nomination committee of the Company and unanimous recognition by the Board, vesting the roles of both chairman and president in the same person, although deviating from the provisions of the Corporate Governance Code, is beneficial to ensuring the unity and consistency of the Group’s strategic decision-making and effectively enhancing the efficiency of strategic execution, given extensive strategic decision-making experience and outstanding management capabilities in the dairy industry of Mr. Yuan and Mr. Hao. The Board believes that the balance of power and authority for such arrangement will not be impaired, and it will continue to assess the effectiveness of the governance structure and consider splitting the roles of chairman and the president of the Company at a time when it is appropriate.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the applicable Corporate Governance Code, and maintain high corporate governance standards.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the Reporting Period.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group. Members of the Audit Committee has been adjusted on March 28, 2025 with the resignation of Mr. Qiu Zhongwei (邱中偉) and the appointment of Mr. Shen Jianzhong (沈建忠) as a member of the committee. The adjusted Audit Committee comprises three members, namely Ms. Xie Xiaoyan (謝曉燕), Mr. Yao Feng (姚峰) and Mr. Shen Jianzhong (沈建忠), with Ms. Xie Xiaoyan (謝曉燕) (being our independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise) as chairperson of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Period, and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company and the Auditor.

## **OTHER BOARD COMMITTEES**

In addition to the Audit Committee, the Company has also established a nomination committee, a remuneration committee and an environmental, social and governance committee.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange (including sale of treasury shares). As at December 31, 2024, the Company did not hold any treasury shares.

## **FINAL DIVIDEND**

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

## CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Friday, May 23, 2025. The register of members of the Company will be closed from Tuesday, May 20, 2025 to Friday, May 23, 2025, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, May 19, 2025.

## USE OF PROCEEDS

The Shares were listed on the Main Board of the Stock Exchange on June 18, 2021. The net proceeds from the Global Offering were approximately HK\$3,270 million (approximately RMB2,711 million), after deducting the underwriting commissions and offering expenses paid or payable, which will be gradually utilised for the purposes set out in the Prospectus.

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. Set out below is the status of use of net proceeds from the Global Offering as of December 31, 2024.

Purpose	% of net proceeds	Net proceeds (RMB million)	Utilised	Utilised	Unutilised
			amount as at December 31, 2024 (RMB million)	amount during the Reporting Period (RMB million)	amount as at December 31, 2024 (RMB million)
Funding our investment projects, including building our dairy farms under construction, new dairy farms and a feed mill and purchasing necessary facilities and equipment, to meet our increasing business demands and achieve sustainable growth through economies of scale	75%	2,033	2,033	125	–
Purchasing dairy cows for our dairy farms	15%	407	407	–	–
Working capital and general corporate purposes	10%	271	271	–	–
Total	100%	2,711	2,711	125	–

As of December 31, 2024 the net proceeds from the Company's Global Offering have been fully utilised.

## SCOPE OF WORK OF THE COMPANY'S AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on March 28, 2025. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.yourandairy.com](http://www.yourandairy.com), respectively. The annual report of the Group for the Reporting Period will be published on the aforesaid websites of the Stock Exchange and the Company in due course and will be dispatched to the Shareholders (if requested) in due course.

## DEFINITIONS

“AGM”	the annual general meeting of the Company to be held on Friday, May 23, 2025
“Audit Committee”	the audit committee of the Company
“Auditor”	Messrs. Deloitte Touche Tohmatsu
“Board”	the board of Directors
“Bright Dairy”	the group of companies comprising Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“China” or “PRC”	the People's Republic of China and, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“CNAS”	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
“Company” or “our Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Notes”	the convertible notes issued by the Company to each of the noteholders, particulars of which are set out in the Prospectus

“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CTC”	China Testing & Certification International Group Co., Ltd. (中國國檢測試控股集團股份有限公司)
“Director(s)”	the director(s) of our Company
“Global Offering”	the Hong Kong public offering and the international offering as defined in the Prospectus
“Group”, “our Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRSs”	International Financial Reporting Standards
“Inner Mongolia Youran”	Inner Mongolia Youran Dairy Co., Ltd. (內蒙古優然牧業有限責任公司), a company established under the laws of the PRC on August 1, 2007 and a subsidiary of the Company
“Junlebao Dairy”	the group of companies comprising Shijiazhuang Junlebao Dairy Co., Ltd. (石家莊君樂寶乳業有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
“mu”	mu (畝), a unit of land traditionally used in East Asia equivalent to approximately 666.67 sq.m.
“Non-IFRSs Measures”	Non-International Financial Reporting Standards Measures
“period of 2023”	the year ended December 31, 2023

“Prospectus”	the prospectus of the Company dated June 7, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the year ended December 31, 2024
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the current share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“SKX”	Inner Mongolia Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技術(集團)股份有限公司), a company established under the laws of the PRC and whose shares are listed on the National Equities Exchange and Quotations (stock code: 834179) which has been a subsidiary of the Company since January 8, 2020
“SOP”	Standard Operation Procedure
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TMR”	Total Mixed Ration
“TPM”	Total Productive Maintenance
“US\$”	United States dollars, the lawful currency of the United States
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (內蒙古伊利實業集團股份有限公司), a company established under the laws of the PRC in June 1993 and whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is our controlling shareholder
“Yili Group”	Yili and its subsidiaries and associates from time to time
“%”	per cent

By order of the Board  
**China Youran Dairy Group Limited**  
**Hao Haijun**  
*Chairman and Executive Director*

Hohhot, March 28, 2025

*As at the date of this announcement, the executive Directors are Mr. Hao Haijun, Mr. Dong Jiping and Ms. Meng Yilan; the non-executive Directors are Mr. Xu Jun, Mr. Yang Huicheng and Mr. Xu, Zhan Kevin; and the independent non-executive Directors are Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong.*