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CHINA SHENGMU ORGANIC MILK LIMITED

中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1432)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

(Unless otherwise stated, all amounts are expressed in thousands of Renminbi (“RMB”))

	For the year ended 31 December		
	2025	2024	Changes
OPERATING CONDITION			
Operating income ⁽¹⁾	3,342,297	3,374,327	-0.9%
Gross profit	756,083	925,890	-18.3%
Loss attributable to owners of the parent	(373,396)	(65,495)	(307,901)
Cash EBITDA ⁽²⁾	881,969	957,843	-7.9%
Operating loss before impairment provision ⁽³⁾	(56,519)	(64,515)	7,996
KEY PERFORMANCE INDICATORS			
Milk yield per milkable cow (tonnes/year • head)	12.40	12.05	+2.9%
Cost of sales per kilogram of milk (RMB/kg)	2.90	3.14	-7.7%
Administrative expenses ratio ⁽⁴⁾	4.65%	4.88%	-0.23ppt

DIVIDEND

The Board of Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil).

- (1) Operating income is calculated as revenue plus other income.
- (2) Cash EBITDA (non-IFRS financial measure) is defined as earnings before finance costs and tax after adjusting the following items: i) depreciation and amortization charged to profit and loss; ii) other income and gains (non-cash items); iii) impairment losses under the expected credit loss model, net of reversals; iv) other expenses (non-cash items); and v) loss arising from changes in fair value less costs to sell of biological assets.
- (3) Operating loss before impairment provision is calculated by excluding impairment of prepaid land from the loss during the year.
- (4) Administrative expenses ratio is calculated as administrative expenses divided by revenue.

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

The board (the “**Board**”) of directors (the “**Directors**”) of China Shengmu Organic Milk Limited (the “**Company**” or “**China Shengmu**”) hereby presents the consolidated financial results of the Company and its subsidiaries (the “**Group**” or “**Shengmu**”) for the year ended 31 December 2025 together with comparative figures for the year ended 31 December 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December	
		2025	2024
		RMB'000	RMB'000
REVENUE	3	3,012,260	3,126,184
Cost of sales		(2,256,177)	(2,200,294)
Gross profit		756,083	925,890
Loss arising from changes in fair value			
less costs to sell of biological assets		(775,669)	(807,302)
Changes of financial guarantee contracts		(108)	(81)
Other income and gains	3	207,136	70,960
Selling and distribution expenses		(58,698)	(49,062)
Administrative expenses		(139,982)	(152,565)
Provision/(reversal) of impairment losses			
on financial assets, net		504	(149)
Other expenses		(319,988)	(5,836)
Finance costs	5	(36,860)	(47,456)
Share of profits and losses of associates		(3,474)	2,317
LOSS BEFORE TAX	4	(371,056)	(63,284)
Income tax expense	6	(1,970)	(1,231)
LOSS FOR THE YEAR		(373,026)	(64,515)
Attributable to:			
Owners of the parent		(373,396)	(65,495)
Non-controlling interests		370	980
		(373,026)	(64,515)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		(RMB0.0450)	(RMB0.0080)
Diluted		(RMB0.0450)	(RMB0.0080)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
LOSS FOR THE YEAR	<u>(373,026)</u>	<u>(64,515)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(2,000)</u>	<u>(5,000)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(2,000)</u>	<u>(5,000)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(2,000)</u>	<u>(5,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(375,026)</u>	<u>(69,515)</u>
Attributable to:		
Owners of the parent	<u>(375,396)</u>	<u>(70,495)</u>
Non-controlling interests	<u>370</u>	<u>980</u>
	<u>(375,026)</u>	<u>(69,515)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		31 December	31 December
Notes		2025	2024
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,803,428	1,885,925
Right-of-use assets		257,661	594,896
Other intangible assets		22,209	23,285
Investments in associates		84,967	34,644
Biological assets		3,336,913	3,380,138
Other financial assets		—	56,000
Cash and bank balances		52,223	368,058
		<u>5,557,401</u>	<u>6,342,946</u>
CURRENT ASSETS			
Inventories		913,099	856,609
Biological assets		17,133	86,383
Trade receivables	9	278,680	287,701
Prepayments, other receivables and other assets		88,328	64,400
Restricted bank deposits		695	128,988
Cash and bank balances		1,117,533	697,225
		<u>2,415,468</u>	<u>2,121,306</u>
CURRENT LIABILITIES			
Trade and bills payables	10	1,700,839	1,649,760
Other payables and accruals		201,455	304,565
Lease liabilities		17,025	17,036
Interest-bearing bank borrowings	11	833,904	666,565
Tax payable		437	1,227
		<u>2,753,660</u>	<u>2,639,153</u>
NET CURRENT LIABILITIES		<u>(338,192)</u>	<u>(517,847)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,219,209</u>	<u>5,825,099</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION(CONTINUED)

		As at	
	Note	31 December 2025	31 December 2024
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		24,704	41,587
Interest-bearing bank borrowings	11	1,377,288	1,607,720
Deferred income		12,116	—
Total non-current liabilities		<u>1,414,108</u>	<u>1,649,307</u>
Net assets		<u><u>3,805,101</u></u>	<u><u>4,175,792</u></u>
EQUITY			
Share capital		69	69
Treasury shares held under share award scheme		(18,876)	(43,754)
Reserves		<u>3,609,884</u>	<u>4,006,692</u>
Equity attributable to owners of the parent		3,591,077	3,963,007
Non-controlling interests		<u>214,024</u>	<u>212,785</u>
Total equity		<u><u>3,805,101</u></u>	<u><u>4,175,792</u></u>

NOTES:

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The registered office address of the Company is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were primarily engaged in the production and distribution of raw milk in the People's Republic of China (the "PRC").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

Going concern

The Group had net current liabilities of RMB338,192,000 as at 31 December 2025 (as at 31 December 2024: net current liabilities of RMB517,847,000). In view of the net current liabilities position, the board of directors has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities and cash flow projections for the year ending 31 December 2026, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to IAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the IASB has issued amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 Disclosures about Uncertainties in the Financial Statements, which added illustrative examples in the corresponding IFRS Accounting Standards. These examples reflect existing requirements in the corresponding IFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions, and the amendments did not have any impact on the Group's financial statements.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Revenue from contracts with customers	<u>3,012,260</u>	<u>3,126,184</u>

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

Segment	Year ended 31 December	
	2025	2024
	Sale of raw milk RMB'000	Sale of raw milk RMB'000
Type of goods		
Sale of products	<u>3,012,260</u>	<u>3,126,184</u>
Geographical market		
Chinese Mainland	<u>3,012,260</u>	<u>3,126,184</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u><u>3,012,260</u></u>	<u><u>3,126,184</u></u>

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Other income and gains		
Total other income	330,037	248,143
Total other costs	(325,345)	(238,094)
Government grants*	122,698	44,816
Bank interest income	21,653	25,464
Other interest income from financial assets		
at fair value through profit or loss	6,628	7,023
Foreign exchange differences, net	(382)	(326)
Loss on disposal of items of property, plant and equipment	(1,937)	(3,767)
Loss on disposal of other intangible assets	—	(110)
Impairment of inventories	(820)	(20,799)
Reversal of litigations and claims	45,796	—
Others	8,808	8,610
Total other income and gains	<u>207,136</u>	<u>70,960</u>

* The Group has received government grants in compliance with the local government grant policies. There are no unfulfilled conditions or contingencies attaching to these grants.

4. LOSS BEFORE TAX

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

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Cost of inventories sold	2,256,177	2,200,294
Loss arising from changes in fair value		
less costs to sell of biological assets	775,669	807,302
Changes of financial guarantee contracts	108	81
Depreciation of property, plant and equipment	192,182	185,278
Less: Capitalised in biological assets	(67,813)	(63,475)
Depreciation recognised in the consolidated statement of profit or loss	<u>124,369</u>	<u>121,803</u>
Depreciation of right-of-use assets	20,230	19,832
Less: Capitalised in biological assets	(1,813)	(2,024)
Depreciation recognised in the consolidated statement of profit or loss	<u>18,417</u>	<u>17,808</u>
Amortisation of other intangible assets	2,966	1,756
Less: Capitalised in biological assets	(361)	(229)
Amortisation recognised in the consolidated statement of profit or loss	<u>2,605</u>	<u>1,527</u>
Research and development costs	2,830	2,663
Lease payments not included in the measurement of lease liabilities	14,639	31,930
Auditor's remuneration	2,580	2,580
Foreign exchange differences, net	382	326
Provision/(reversal) of impairment on financial and contract assets, net	(504)	149
Loss on disposal of items of property, plant and equipment	1,937	3,767
Loss on disposal of other intangible assets	—	110
Impairment of prepaid land*	316,507	—
Donations*	3,481	2,126
Employee benefit expense (including directors' and chief executive's remuneration):		
Salaries, allowances and benefits in kind	266,104	246,015
Other social insurances and benefits	18,802	34,011
Other composition	8,301	34,201
Pension scheme contributions	12,520	12,564
Total	<u>305,727</u>	<u>326,791</u>

* Impairment of prepaid land and donations are included in "Other expenses" in the consolidated statement of profit or loss.

5. FINANCE COSTS

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Interest on bank loans and other loans	37,524	52,028
Less: Interest capitalised	(664)	(4,572)
Total	<u>36,860</u>	<u>47,456</u>

6. INCOME TAX

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Current - PRC profits tax		
Underprovision in prior years	1,176	—
Charge for the year	794	1,231
Total tax charge for the year	<u>1,970</u>	<u>1,231</u>

7. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2025 (2024: a final dividend in respect of the year ended 31 December 2023 declared and paid in 2024 amounting to RMB17,588,000).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The basic loss per share amount is calculated by dividing the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,295,884,000 (2024: 8,207,944,000) outstanding during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB373,396,000 (2024: RMB65,495,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 8,295,884,000 (2024: 8,207,944,000) outstanding during the year. No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2025 and 2024 in respect of a dilution as the impact of the share awards outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

	<u>Number of shares</u>	
	<u>2025</u>	<u>2024</u>
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>8,295,884,000</u>	<u>8,207,944,000</u>

9. TRADE RECEIVABLES

	<u>As at</u>	
	<u>31 December 2025</u>	<u>31 December 2024</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables	<u>285,427</u>	<u>295,028</u>
Impairment	<u>(6,747)</u>	<u>(7,327)</u>
Net carrying amount	<u><u>278,680</u></u>	<u><u>287,701</u></u>

9. TRADE RECEIVABLES (CONTINUED)

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

	As at	
	31 December 2025	31 December 2024
	RMB'000	RMB'000
Within 3 months	<u>278,680</u>	<u>287,701</u>

10. TRADE AND BILLS PAYABLES

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

	As at	
	31 December 2025	31 December 2024
	RMB'000	RMB'000
Within 3 months	1,026,200	1,036,986
4 to 6 months	663,280	596,909
7 to 12 months	3,757	3,689
1 to 2 years	2,485	5,898
2 to 3 years	885	2,283
Over 3 years	4,232	3,995
Total	<u>1,700,839</u>	<u>1,649,760</u>

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

11. INTEREST-BEARING BANK BORROWINGS

	As at					
	31 December 2025			31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Other borrowings - unsecured	2.80	2026	3,000	—	—	—
Bank loans – unsecured	<u>0.40-3.00</u>	<u>2026</u>	<u>830,904</u>	0.82-2.90	<u>2025</u>	<u>666,565</u>
Total – current			<u>833,904</u>			<u>666,565</u>
Non-current						
Bank loans –unsecured	<u>2.18-2.85</u>	<u>2027-2030</u>	<u>1,377,288</u>	2.18-3.20	<u>2026-2030</u>	<u>1,607,720</u>
Total – non-current			<u>1,377,288</u>			<u>1,607,720</u>
Total			<u><u>2,211,192</u></u>			<u><u>2,274,285</u></u>

	As at	
	31 December 2025	31 December 2024
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	830,904	666,565
In the second year	866,587	1,055,120
In the third to fifth years, inclusive	510,701	407,261
Beyond five years	—	145,339
	<u>2,208,192</u>	<u>2,274,285</u>
Other Borrowings:		
Within one year or on demand	<u>3,000</u>	—
Total	<u><u>2,211,192</u></u>	<u><u>2,274,285</u></u>

As at 31 December 2025, all of the Group's bank borrowings were denominated in RMB. All the bank borrowings are at fixed interest rates.

12. SHARE AWARD SCHEME

On 19 April 2022 (the “**Adoption Date**” and the “**Grant Day I**”), the Company adopted a long-term share award scheme (the “**Share Award Scheme**”), which shall remain effective for ten years, to recognise the contributions by certain employees of the Group and to provide them with incentives in order to: (i) improve the corporate governance structure to achieve sustainable development of the Company; (ii) attract, retain and motivate outstanding talents and build a common interest among shareholders, the Company and employees; (iii) fully motivate the core employees and continue to stimulate high-quality growth of the team performance; and (iv) attract external talents for the Company. The Board had approved three batches under the Share Award Scheme amounting to RMB35,000,000 in 2022, 2023 and 2024 for each batch, respectively which would vest 50% in the first anniversary of the grant date and the remaining 50% in the second anniversary of the grant date provided that certain non-market performance and service conditions are met. Upon acceptance of the Share Award Scheme, the grantee does not need to pay the Company with any consideration for the grant.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2025, China's economy generally maintained a stable operation and demonstrated strong resilience amid the complex and volatile domestic and international environment. According to data released by the National Bureau of Statistics, China's gross domestic product achieved steady growth in 2025, the economic operation maintained a recovery and positive momentum, the economic structure was continuously optimized, and high-quality development was steadily advanced. Among them, service consumption and upgrading-oriented consumption maintained certain growth momentum. In terms of consumption structure, food and beverage products remained essential in nature, while overall consumption was characterized by rationalization and structural differentiation. Residents paid more attention to product-cost-performance and functional value, basic consumption demand remained stable, but the demand for high-premium products recovered relatively slowly. Under such macro environment, the dairy products industry, as an important part of livelihood consumption, enjoyed relatively resilient overall demand, yet the pace of consumption upgrading slowed down significantly compared with the expansion period, and pressure from channel inventory adjustment and price competition persisted.

In 2025, the domestic dairy industry remained generally in the bottom stage of the cycle. Affected by factors including the slow pace of consumption recovery, structural adjustment of dairy product demand and relatively ample phased supply, raw milk prices fluctuated at a low level, profitability at the farming end continued to be under pressure, and the industry entered a period of profound adjustment with the main themes of “inventory destocking, capacity reduction, cost reduction and efficiency enhancement (去庫存、去產能、降成本、提效率)”. Meanwhile, against the backdrop of policy support and continuous implementation of enterprises' self-help measures, some key industry indicators showed signs of marginal improvement during the year, and the supply-demand relationship gradually evolved towards rebalancing.

On the supply side, China's milk production reached 40.91 million tonnes in 2025, representing a year-on-year increase of 0.3%. Supply remained resilient, which to a certain extent exacerbated the phased supply-demand mismatch and continued to put pressure on raw milk prices. The number of the national cows in stock declined at the end of the year, indicating that some capacity had started to shrink and supply-side structural adjustment was gradually underway. The new capacity formed during the industry expansion cycle was inconsistent with the recovery pace of consumption, resulting in "phased surplus" becoming a common industry characteristic. On the demand side, dairy product processing volume reflected changes in end demand and channel inventories to a certain extent. National dairy product production stood at 29.5 million tonnes in 2025, representing a year-on-year decrease of 1.1%. Overall industry demand was still in the process of recovery, but the decline was relatively controllable. Dairy product consumption showed certain differentiation during the year: basic liquid milk maintained its essential demand attribute, while high-premium and homogeneous products faced higher destocking pressure at the channel end; demand for functional, nutritional, segmented consumer group and ready-to-drink scenario products was relatively more resilient. Meanwhile, channel competition and promotion intensity remained at a high level, the pricing system and profit margin continued to be squeezed, and profits in the industrial chain were concentrated in segments with higher efficiency and stronger brand and channel capabilities.

Raw milk prices generally remained at a low level in 2025. According to the monitoring by the National Bureau of Animal Husbandry and Veterinary Medicine, Ministry of Agriculture and Rural Affairs, the average price of raw fresh milk in 10 primary dairy cow producing provinces for the twelve months of 2025 was RMB3.03 per kilogram, representing a year-on-year decrease of 2.6%, and the price showed signs of stabilizing after falling. In terms of phased trend, although raw milk prices remained in a year-on-year downward range during the year, the decline narrowed in the second half of the year, with some months exhibiting the characteristics of “bottoming out and stabilizing (築底趨穩)”. Feed costs generally eased from the previous high levels in 2025, providing a phased window for cost reduction at the farming end. Monitoring data from the Ministry of Agriculture and Rural Affairs showed that in December 2025, the national average price of corn was RMB2.43 per kilogram (up 4.7% year-on-year and flat month-on-month), and the national average price of soybean meal was RMB3.30 per kilogram (up 0.9% year-on-year and 0.3% month-on-month). Against this backdrop, enterprises within the industry generally attached greater importance to achieving continuous decline in “cost per kilogram (單位成本)” through measures such as procurement synergy, formula optimization, roughage management, precision feeding and health management, so as to hedge the profit pressure brought by the low-level operation of raw milk prices.

In 2025, policies continued to focus on stabilizing animal husbandry production, providing relief to dairy farming and boosting consumption. At a public press conference, the Ministry of Agriculture and Rural Affairs referred to measures including the implementation of relief policies for beef and dairy cow farming, the guidance of production optimization and the expansion of consumption, and judged that raw fresh milk prices had “bottomed out and stabilized”. For the medium and long-term high-quality development of the industry, regulators and policies continued to emphasize the quality and safety of raw fresh milk, the strengthening and optimization of the processing sector, consumer education and consumption structure upgrading. International dairy product prices and the trade environment also exerted an impact on domestic market expectations. Volatile global dairy product prices and weakening prices of certain categories during the year disrupted the procurement and inventory strategies of domestic dairy processors. Meanwhile, factors such as trade policies and tariffs may also have a phased impact on the import costs and supply structure of dairy products and relevant raw materials. Against this backdrop, domestic dairy enterprises generally placed greater emphasis on supply chain resilience, inventory management and cost hedging capabilities to mitigate the impact of external fluctuations on operations.

BUSINESS OVERVIEW

The Group takes dairy cow farming as its core business, focusing on the production and sale of high-end desert organic raw milk, organic A2 raw milk and DHA raw milk. While deepening its commitment to the main business of desert organic milk production and sales, it has continuously developed a variety of functional raw milk to accurately meet customers’ diversified demands for high-quality raw milk, which not only enriches the product matrix but also enhances profitability in general. The “high-endization + diversification” product layout has enabled the Group to gain distinct differential competitive advantages in the dairy cow farming industry.

Herd Size

As at 31 December 2025, the Group operated 34 farms, including 1 fattening cow farm. The Group had a total of 150,691 cows in stock, among which 147,036 were dairy cows in stock, representing an increase of 2,588 heads as compared with the end of last year, and the proportion of milkable cows rose to 47.8% (as at 31 December 2024: 43.5%). Focusing on the high-end beef segment and comprehensively upgrading the structure of fattening cows herd, the Group reduced 8,378 Holstein cows in stock during the year. The number of fattening cows in stock decreased to 3,655 heads as at the end of the year, with breeding varieties concentrated in high-end core cows such as Wagyu and Angus.

	As at	
	31 December 2025	31 December 2024
Number of Farms (number)	34	34
Dairy Cows in Stock (heads)	147,036	144,448
of which: Milkable Cows (heads)	70,316	62,842
Calves and Heifers (heads)	76,720	81,606
Fattening cows (heads) ⁽¹⁾	3,655	12,033
Percentage of Milkable Cows in		
Total Dairy Cows in Stock	47.8%	43.5%
Total (heads)	<u>150,691</u>	<u>156,481</u>

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

BUSINESS REVIEW

Continuous improvement in milk yield per cow and optimization of product structure have consolidated the foundation for profitability.

In 2025, the Group continuously optimized the structure of its cows, and further enhanced the overall quality of the milkable cows by selecting high-quality cows, improving genetic improvement and optimizing the breeding system. Meanwhile, relying on the continuously upgraded customized nutritional formula system and refined feeding management model, the Group provided scientific and precise nutritional support and health management guarantee for milkable cows. During the year, the milk yield per milkable cow of the Group reached 12.4 tonnes, representing a steady increase compared with 2024 and a record high, which continuously consolidated the Group's competitive advantage in farming efficiency.

Benefiting from the combined effect of increased milk yield per cow and optimized production capacity structure, the Group's total raw milk sales volume maintained steady growth, with the full-year raw milk sales volume reaching 777,282 tonnes, representing a year-on-year increase of 11.1%. The sales growth was mainly driven by improved production efficiency and a higher proportion of high-efficiency cows, rather than simple scale expansion, reflecting the quality-oriented development strategy. In terms of product structure, the Group continued to increase the proportion of high-end raw milk, with the sales proportion of high-end raw milk reaching 80.3%. Supported by a stable customer base and relatively strong pricing power, high-end products demonstrated better profit resilience amid industry-wide price pressure. Among them, organic raw milk, as the core category of the Group's high-end products, maintained a growth momentum and provided important support to the overall operating performance in terms of both sales volume and profitability during the year.

Against the backdrop of the industry being in an adjustment cycle, the synergistic effect of increased milk yield per cow and optimized product structure has effectively enhanced the Group's production capacity and earnings quality per asset, laying a foundation for profit elasticity when the market environment improves in the future.

With milk prices continuing to decline, we will reduce costs and increase efficiency to maintain a stable profit level.

In 2025, the supply and demand landscape of the raw milk industry remained weak, and market prices were under downward pressure. The Group's average selling price of raw milk decreased to RMB3,875 per tonne, representing a year-on-year decrease of 13.2%. Among them, benefiting from the advantages in product quality and customer structure, organic and specialty raw milk products recorded a smaller decline in average selling price than conventional raw milk.

On the cost side, prices of major feed raw materials such as corn and soybean meal were relatively stable compared with the previous year, providing phased support for cost control. The Group continued to promote joint order locking and forward procurement mechanisms, optimized procurement pace and reduced the impact of raw material fluctuations on costs. Meanwhile, the Group continuously improved the cost structure of production through measures including technological upgrading and optimized feeding formula. The above measures formed an important foundation for the narrowing of the Group's operating loss. In 2025, benefiting from increased milk yield per cow and lean operation management, the Group's production cost per kilogram declined further, with the sales cost per kilogram of milk standing at RMB2.90 per kilogram, representing a year-on-year decrease of RMB0.24 per kilogram, or a decrease of 7.7%. Among them, feed cost reduction was the main contributing factor, with the feed cost per kilogram of milk reaching RMB2.31 per kilogram during the year, representing a year-on-year decrease of RMB0.23 per kilogram, or a decrease of 9.1%.

Although the Group has comprehensively implemented cost-saving and efficiency-enhancing measures and achieved phased results, the extent of cost reduction has not fully offset the decline in the average selling price of raw milk. Affected by this, the Group's overall gross profit margin was 25.1% in 2025, representing a decrease of 4.5 percentage points from 29.6% in the corresponding period last year. By business segment, the gross profit margin of the organic raw milk business during the year remained significantly higher than that of the conventional business, reflecting the differentiated advantage of the product structure.

In respect of expenses, the Group continued to adopt a prudent and robust expense control strategy, and strengthened budget management and the optimization of financing structure. In 2025, administrative expenses, selling expenses and finance costs totalled RMB235.5 million, representing a year-on-year decrease of 5.4%. The three-period expense ratio decreased to 7.8%, and the period expenses per kilogram of milk amounted to RMB0.3 per kilogram. Expense efficiency continued to improve and remained at a favourable level in the industry.

Overall, despite the industry being in a downward cycle, the Group has effectively mitigated the impact of price declines on profitability through systematic optimization of cost structure and expense control measures during the year. The operating loss narrowed as compared with the previous year, while a robust operating cash flow position was maintained.

Controlling Volume and Improving Quality, and Continuously Optimizing Herd Structure

In 2025, the raw milk industry as a whole remained in a market environment of phased oversupply. Against this backdrop, the Group adhered to the operating principle of “controlling volume, improving quality and prioritizing efficiency”. On the premise of ensuring stable raw milk supply to core customers, the Group proactively optimized its production capacity structure and herd configuration, and prudently adjusted its herd size. As at 31 December 2025, the Group’s total dairy cows in stock amounted to 147,036 heads, representing an increase of 2,588 heads compared with the beginning of the year, with the overall scale matching market demand.

In 2025, the Group continued to optimize its herd structure and dynamically adjusted its retiring strategy based on the marginal contribution of individual cow and the profit or loss on retiring. In the first half of the year, the Group focused on the structural culling of low-efficiency and high-parity herds, which effectively improved overall production efficiency and breeding efficiency per cow. As of 31 December 2025, the Group's herd structure was further optimized, the proportion of young milkable cows continued to increase, and the proportion of milkable cows rose to 47.8%. Meanwhile, the Group maintained a sufficient reserve of replacement cows, providing flexibility for capacity recovery and structural upgrading upon market recovery in the future. In terms of retiring pace management, the Group reasonably controlled the scale of retiring with reference to the trend of beef market prices. The number of retired cows in 2025 decreased as compared with the corresponding period last year, while revenue from retired cows increased year-on-year, benefitting from the recovery in beef prices. In addition, the Group's fattening cow business also benefited from the upward trend of beef prices. During the year, the Group appropriately accelerated the slaughter pace of age-finished fattening cows, with the annual slaughter volume of fattening cows reaching 21,927 heads and the cows in stock reduced to 3,655 heads in the end of the period. For the year, the Group recorded sales revenue from retired cows and fattening cows of RMB633.3 million, representing an increase of RMB186.2 million as compared with the corresponding period. In light of its future business layout, the Group continued to optimize the structure of its fattening cows, introduced high-end specialty beef cow breeds, enhanced product differentiation capability and earnings quality, and strengthened the long-term competitiveness of the segment.

Sustainable Development and Quality Management System Development

In 2025, the Group continued to advance its sustainable development strategy by deeply integrating ecological governance, industrial operation and corporate governance, and gradually established a long-term value creation system oriented towards “being nature-positive and doing business for good (自然受益、商業向善)”. Leveraging the resource endowments of the Ulan Buh Desert region, the Group continued to improve its organic ecological desert control industrial system around the circular model of “planting–breeding–returning to fields”. Through measures such as planting drought-tolerant trees, shrubs and

high-quality forage, promoting resource utilization of manure and soil improvement, and introducing smart water-saving irrigation and distributed photovoltaic facilities, the Group achieved coordinated progress in ecological restoration and industrial development, and explored a sustainable desert ecological industrial path. Relevant practices have been selected as demonstration cases in the field of international nature conservation, further enhancing the Group's industry influence in the area of green development.

In respect of ESG governance, the Group continued to enhance the quality of environmental information disclosure and climate management capabilities. Following consecutive years of CDP environmental information disclosure, the Group maintained a Management-level score in climate change and water security, and rose to Leadership-level in forest risk in 2025, representing steady and progressive overall performance. In terms of information disclosure, the Group's ESG Report fully aligned with "IFRS S2 — Climate-related Disclosures" issued by the International Sustainability Standards Board (ISSB), and systematically disclosed core contents including Scope 1 to Scope 3 greenhouse gas emissions, identification of climate-related risks and opportunities, low-carbon transition pathways and scenario analysis. The Group continuously strengthened the alignment between climate-related issues and strategic planning, financial management and risk control, so as to enhance the standardization and transparency of sustainable development governance. In 2025, the Group also received a climate disclosure-related award from the Hong Kong Quality Assurance Agency, reflecting recognition of the Group's ESG governance capabilities by the capital market.

In respect of quality management and animal welfare, the Group has always regarded raw milk quality as its core competitiveness and continuously improved its quality control system covering farm construction, dairy cow health management and the entire production process. In 2025, the Group continued to promote the construction of smart farms, and monitored the health indicators of dairy cows in real time through IoT technologies to achieve precise feeding and disease early warning management. Meanwhile, the Group improved facilities including barn ventilation and sprinkler systems, cow brushes, exercise yards and sand bedding to continuously enhance the living comfort and health of dairy cows. The Group became one of the first enterprises in China to obtain the "Animal Friendly Farm" certification

and participated in the formulation of the standard “Animal Friendly Farm Grade Assessment – Dairy Cows”, promoting the upgrading of industry animal welfare standards. As of the end of 2025, the Group’s farms had obtained a number of professional certifications, including GAP certified farm, low GI farm, A2 farm, ecological origin farm, desert sustainable product farm and animal friendly farm certifications, further consolidating the Group’s industry advantages in organic raw milk quality and sustainable production.

Human Resources and Long-term Incentive Mechanism

During the year, the Group continued to promote digitalization and intelligent construction, optimized production and management processes, and further enhanced per capita efficiency. As at 31 December 2025, the Group had 2,272 employees (as at 31 December 2024: 2,217 employees). The Group continued to strengthen the training of professional talents and the development of the management team, and carried out systematic training focusing on core areas such as farm management, digital and intelligent operation and quality control to enhance organizational professional capabilities. Meanwhile, the employee structure continued to be optimized, and the efficiency of production, operation and technical positions improved significantly. In 2025, the Group’s total employee costs (including remuneration of directors and senior management and expenses related to the share award scheme) amounted to RMB305.7 million (2024: RMB326.8 million), with the overall remuneration level commensurate with the operating scale and performance. The Group adhered to a market-oriented and performance-based remuneration policy, and dynamically optimized the remuneration structure and incentive mechanism in light of the business development stage and industry competition.

The defined contribution plan referred to is a pension plan under which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Payments to defined contribution retirement benefit under the state-managed retirement benefit schemes in the PRC (the “**State-managed Retirement Benefit Schemes**”) are charged as an expense when employees have rendered service entitling them to the contribution. The PRC employees of the Group are eligible members of the State-managed Retirement Benefit

Schemes operated by the government of the PRC. The employees of the PRC subsidiaries of the Company are required to contribute in accordance with employee pension insurance and other insurance benefits requirements on monthly basis to the State-managed Retirement Benefit Schemes to fund the benefits. The only obligation of the Group with respect to the State-managed Retirement Benefit Schemes is to make the required contributions under the schemes. Employees in Hong Kong are provided with retirement benefits, under the Mandatory Provident Fund scheme.

To enhance the stability of the core team and long-term value creation capabilities, the Group continued to implement its share award scheme. As the relevant performance indicators had met the vesting conditions, the third tranche of the share award scheme was vested in April 2025, and the remaining portion will be vested in April 2026. Pursuant to the Company's instructions, the trustee purchased existing shares of the Company in the open market using funds injected by the Group as award shares. As of 31 December 2025, excluding vested shares, the Company had purchased a total of 58,269,527 shares of the Company through the trustee, representing 0.7% of the total issued shares of the Company. The implementation of the share award scheme helps strengthen the alignment of interests between management and shareholders, enhance organizational stability and execution efficiency, and support the achievement of the Group's long-term strategic goals.

FINANCIAL REVIEW

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

Revenue

	For the year ended 31 December	
	2025	2024
Sales volume (tonnes)	777,282	699,803
Average selling price (RMB/tonnes)	3,875	4,467
Sales revenue (RMB'000)	<u>3,012,260</u>	<u>3,126,184</u>

Supported by the solid foundation and technological advantages underpinned by the continuous improvement in herd quality, the Group's milk yield per milkable cow hit a new record high of 12.4 tonnes, representing a year-on-year increase of 2.9%. Meanwhile, high-quality Holstein dairy cows imported from Australia have entered the stage of concentrated milk production, with production efficiency and supply capacity enhanced simultaneously, effectively driving the steady growth in raw milk sales volume. In 2025, total raw milk sales volume reached 777,000 tonnes, representing an increase of 11.1% compared with the corresponding period in 2024, further consolidating and strengthening the Group's core production capacity advantages.

In 2025, the average selling price of raw milk was RMB3,875 per tonne (2024: RMB4,467 per tonne), representing a year-on-year decrease of 13.2%, mainly due to the continuous decline in prices in the domestic raw milk market.

During the year, the Group's raw milk sales volume increased year-on-year, but such growth was insufficient to fully offset the impact of the decline in raw milk selling prices, resulting in a year-on-year decrease of 3.6% in the Group's revenue, which amounted to RMB3,012.3 million (2024: RMB3,126.2 million).

Cost of sales, gross profit and gross profit margin

	For the year ended 31 December	
	2025	2024
Cost of sales (RMB'000)	2,256,177	2,200,294
Gross profit (RMB'000)	756,083	925,890
Gross profit margin	<u>25.1%</u>	<u>29.6%</u>

Benefiting from multiple factors including the decline in bulk feed prices, the significant increase in milk yield per milkable cow and lean operation, the Group's selling cost per kilogram of milk decreased to RMB2.90 per kilogram (2024: RMB3.14 per kilogram), representing a year-on-year decrease of 7.7%. The cost decrease was mainly attributable to the decline in feed cost, with the feed cost per kilogram of milk decreasing by RMB0.23 per kilogram year-on-year.

As the decrease in selling costs was insufficient to fully offset the decline in raw milk prices, in 2025, the Group's gross profit margin from raw milk was 25.1% (2024: 29.6%), representing a year-on-year decrease of 4.5 percentage points.

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

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

In 2025, the loss arising from changes in fair value less costs to sell of biological assets of the Group amounted to RMB775.7 million (2024: RMB807.3 million), representing a decrease in loss of RMB31.6 million as compared with the corresponding period.

Other income and gains

Other income and gains comprise government grants, interest income, and income from fattening cow breeding and sales of TOC ("TOC" or "To Customer" refers to enterprises directly selling products or services to individual consumers (end-users)) terminal beef products, among other businesses. In 2025, this item amounted to RMB207.1 million (2024: RMB71.0 million), representing a year-on-year increase of 191.9%, mainly due to i) full receipt of financial subsidies for projects such as high-quality dairy cow breeding, smart farm construction and premium forage support, with relevant gains recognized; and ii) reversal of litigation provisions accrued in prior years amounting to RMB45.8 million during the year.

Fattening cow breeding and terminal beef product sales business

	For the year ended 31 December							
	2025				2024			
	Sales Volume (Head)	Revenue (RMB'000)	Cost of Sales (RMB'000)	Gross profit (RMB'000)	Sales Volume (Head)	Revenue (RMB'000)	Cost of Sales (RMB'000)	Gross profit (RMB'000)
Fattening cow breeding business								
Fattening cow	21,927	166,453	156,916	9,537 ⁽¹⁾	7,795	93,154	137,893	(44,739) ⁽¹⁾
Subtotal	21,927	166,453	156,916	9,537	7,795	93,154	137,893	(44,739)
Terminal beef product sales business								
Cut beef	—	6,915	5,790	1,125	—	3,145	2,476	669
Beef crisps	—	3,685	3,080	605	—	—	—	—
Subtotal	—	10,600	8,870	1,730	—	3,145	2,476	669
Total	21,927	177,053	165,786	11,267	7,795	96,299	140,369	(44,070)

- (1) Gross profit generated from the fattening cow breeding business in this table has been reclassified to the loss arising from changes in fair value less costs to sell of biological assets in the consolidated statement of profit or loss.

During the year, the Group's fattening cow breeding business realized 21,927 heads of fattening cattle slaughtered, achieving revenue of RMB166.5 million (2024: RMB93.2 million), representing a year-on-year increase of 78.7%, and net gain of RMB9.5 million (2024: loss of RMB44.7 million).

During the year, the Group's terminal beef product sales business achieved revenue of RMB10.6 million (2024: RMB3.1 million), representing a year-on-year increase of 237.0%, of which cut beef generated revenue of RMB6.9 million and beef crisps generated revenue of RMB3.7 million. Gross profit of RMB1.7 million was achieved (2024: RMB0.7 million), mainly attributable to gross profit of RMB1.1 million from cut beef, representing a year-on-year increase of 68.2%.

Selling and distribution expenses

In 2025, selling and distribution expenses amounted to RMB58.7 million (2024: RMB49.1 million), representing a year-on-year increase of 19.6% compared with the corresponding period, mainly due to the growth in total raw milk sales volume, the increase in freight charges for the milk powder export business and the selling expenses incurred from the TOC terminal beef products sales business.

Administrative expenses

In 2025, the Group's administrative expenses amounted to RMB140.0 million (2024: RMB152.6 million), representing a year-on-year decrease of 8.2%. The ratio of administrative expenses to revenue decreased from 4.88% in the corresponding period to 4.65% in the current period, representing a decrease of 0.23 percentage point. Faced with the complex and severe market environment and industry fluctuations, the Group has continuously deepened cost reduction and efficiency enhancement, strengthened internal management, and effectively reduced operating costs through process optimization, organizational streamlining, resource synergy and strict cost control, providing a solid guarantee for the Group's steady operation and smooth response to cyclical industry fluctuations.

Other expenses

In 2025, other expenses amounted to RMB320.0 million (2024: RMB5.8 million), representing a year-on-year increase of RMB314.2 million. This was mainly due to the accrual of impairment provision of RMB316.5 million in respect of the land use rights of the long-term undeveloped grassland held by the Group in accordance with the prudence principle. Other expenses also comprised litigation-related expenses and public welfare donation expenses.

Finance costs

In 2025, the Group maintained the credit facilities at a solid level of RMB10 billion. Seizing the opportunity of low market interest rates, the Company continuously reduced its overall finance costs through measures including expanding policy subsidized loans, optimizing low-cost financing arrangements and adjusting debt structure. During the year, finance costs amounted to RMB36.9 million (2024: RMB47.5 million), representing a year-on-year decrease of 22.3%.

Share of profits and losses of associates

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

In 2025, the Group's share of loss of the above associates amounted to RMB3.5 million (2024: profit of RMB2.3 million).

Income tax expense

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

In 2025, the Group's income tax expense amounted to RMB2.0 million (2024: RMB1.2 million).

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

As a result of the above combined factors, the loss attributable to owners of the parent company for the year amounted to RMB373.4 million (2024: RMB65.5 million), representing a year-on-year increase in loss of RMB307.9 million.

Profit attributable to non-controlling interests mainly represents the profit for the year attributable to the dairy farmers with whom we cooperated in relation to dairy farm management of our farms. In 2025, profit attributable to non-controlling interests amounted to RMB0.4 million (2024: RMB1.0 million).

In 2025, the Group's cash EBITDA (non-IFRS financial measure) amounted to RMB882.0 million (2024: RMB957.8 million), representing a year-on-year decrease of 7.9%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

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

In 2025, the Group's credit facilities continued to maintain a credit limit of RMB10 billion, with a stable credit utilization rate of less than 30%, which protected the Company's stable operation. The Group relies on sound credit ratings and collaborative relationships with banks, the Group maintains stable and adequate bank credit facility. By optimizing the long-term and short-term debt structure, controlling financing costs and financial risks, and reasonably allocating funds to meet the needs of production and operation, project investment and strategic development, the Group's overall financial structure remains sound and the capital support capability steadily strengthens.

Interest-bearing bank borrowings

As at 31 December 2025, the Group's interest-bearing bank borrowings amounted to RMB2,211.2 million (as at 31 December 2024: RMB2,274.3 million), all of which were denominated in Renminbi. Of which, interest-bearing bank borrowings repayable within one year amounted to RMB833.9 million (as at 31 December 2024: RMB666.6 million). The annual interest rates of interest-bearing liabilities ranged from 0.40% to 3.00% (for the year ended 31 December 2024: 0.82% to 3.20%).

The Group's net borrowings are calculated on the basis of interest-bearing bank borrowings (excluding lease liabilities) less cash and bank balances. As at 31 December 2025, net borrowings amounted to RMB1,041.4 million (as at 31 December 2024: RMB1,209.0 million), representing a decrease of RMB167.6 million as compared with the end of 2024.

Capital structure

As at 31 December 2025, the Group's total equity amounted to RMB3,805.1 million (as at 31 December 2024: RMB4,175.8 million), comprising current assets of RMB2,415.5 million, non-current assets of RMB5,557.4 million, current liabilities of RMB2,753.7 million and non-current liabilities of RMB1,414.1 million.

As at 31 December 2025, the Group's financial leverage ratio, calculated as interest-bearing bank and other borrowings (including lease liabilities) divided by total equity, was 59.2% (as at 31 December 2024: 55.9%), representing a year-on-year increase of 3.3%.

Charge on assets

As at 31 December 2025, the Group's total restricted bank deposits amounted to RMB0.7 million (as at 31 December 2024: RMB129.0 million), representing a year-on-year decrease of RMB128.3 million. This was mainly due to the unfreezing of RMB85.7 million of funds frozen in connection with litigation matters in accordance with the judgment of the relevant case. Meanwhile, the Group has obtained bank bills and letter of credit under full credit status, resulting in a zero balance of bill margin.

Capital commitments

As at 31 December 2025, the Group had no capital commitments signed for the acquisition of property, plant and equipment (as at 31 December 2024: RMB5.2 million).

Contingent liabilities

As at 31 December 2025, the Group provided guarantees for bank borrowings of RMB130.0 million (as at 31 December 2024: RMB70.0 million) of Shengmu Forage. The external guarantees provided by the Group were recognised in the financial statements, adopting the valuation of the guarantees as determined by the independent professional valuer as the best estimate of payment required for the performance of the relevant existing obligations in accordance with the requirements of IFRS.

Foreign exchange risk

The Group's operations are primarily located in Chinese Mainland and the majority of transactions are conducted in RMB. As at 31 December 2025, the Group had no significant foreign exchange risk in respect of its operations except for cash of approximately RMB2.3 million and RMB28.8 million denominated in HKD and USD respectively. As at 31 December 2025, the Group had not entered into any arrangement to hedge against any foreign exchange fluctuations.

Credit risk

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

Environmental policies and performance

In 2025, the Group's operations were in compliance in all material respects with currently applicable national and local environmental protection laws and regulations in the PRC.

Material acquisitions and disposals

Save as disclosed in this announcement, the Group did not undertake any material acquisition or disposal during the year.

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

Save as disclosed above in the section headed “Capital Commitments” in this announcement, as of the date of this announcement, the Group does not have any plan for material investments or acquisition of capital assets.

Events after the reporting period

As disclosed in the announcement issued by China Modern Dairy Holdings Ltd. (“**China Modern Dairy**”) on 30 October 2025 regarding, among others, the possible mandatory conditional cash offer by CLSA Limited, for and on behalf of China Modern Dairy, to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by China Modern Dairy and Start Great Holdings Limited) (the “**Rule 3.5 Announcement**”), immediately following the SPA Completion under any of the Share Purchase Agreements (each as defined under the Rule 3.5 Announcement), China Modern Dairy and parties acting in concert with it will hold in aggregate 30% or more of the total issued share capital of the Company. China Modern Dairy will therefore, subject to and upon the SPA Completion under any of the Share Purchase Agreements, be required under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong (the “**Takeovers Code**”) to make a possible mandatory conditional cash offer for all the Offer Shares (as defined in the Rule 3.5 Announcement) (the “**Offer**”).

As set out in the announcement jointly issued by the Company and China Modern Dairy on 20 March 2026, as at 20 March 2026, other than the conditions as set out in paragraphs (d) and (e) under the section headed “Conditions of the Share Purchase Agreements” in the Rule 3.5 Announcement, no other conditions precedent under the Share Purchase Agreements have been satisfied or (if capable of being waived) waived.

Further announcement(s) will be made in accordance with the Listing Rules and the Takeovers Code (as the case may be) on the status and progress of the Offer as and when appropriate.

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

FUTURE OUTLOOK

Looking ahead to 2026, the dairy industry remains in a phase of recovery from the bottom of the cycle. The industry supply-demand relationship will gradually rebalance, but the recovery process will be phased and uncertain. Recent central government policies further propose consolidating the results of relief measures for the dairy cow industry, promoting balanced supply and demand and healthy development, and boosting dairy product consumption through multiple measures to enhance synergy between upstream and downstream industry chains. The policy direction emphasizes both short-term stability in production capacity and price expectations, as well as medium-to-long term improvement in quality and structural optimization. The Dairy Association of China has also put forward a development plan for the industry up to 2030, providing indicative recommendations on key development directions, including raising milk production to approximately 45 million tonnes, maintaining a milk self-sufficiency rate of above 70%, achieving a breeding scale proportion of around 85% for farms with 100 or more cows, increasing the annual average milk yield per cow to over 10 tonnes, keeping the qualified rate of product supervision and random inspection at above 99%, and raising per capita milk consumption to over 47kg. At the local level, the “Action Plan for Cultivating and Strengthening the Agricultural and Sideline Food Processing Industry (2025–2027)” of Inner Mongolia Autonomous Region proposes strengthening the development of five major milk source bases, further expanding and strengthening the liquid milk industry by leveraging milk source advantages, and promoting the large-scale, industrialized and branded development of agriculture and animal husbandry. With sustained policy support at national and local levels, the development path of the dairy industry has become clearer: stabilizing basic production capacity, optimizing structural efficiency, strengthening quality and safety, promoting industrial chain synergy and green upgrading, so as to achieve high-quality development.

Looking ahead to 2026, the industry recovery path is expected to present the following characteristics: supply growth will slow down, and herd structure optimization and phasing out of inefficient production capacity will continue to advance; inventories will be gradually digested and the production pace of the processing sector will become rational; prices will fluctuate at low levels, and the pace of raw milk price recovery will depend on the progress of supply and demand rebalancing; competition in efficiency will intensify, and a company's position on the cost curve and cash flow capability will become the key to differentiation. At the bottom of the cycle, the logic of industry competition has shifted from competition in scale expansion to competition in efficiency and robust operation capability. Enterprises with cost advantages, stable cash flow and industrial chain synergy will gradually demonstrate competitive advantages in the recovery process.

Against the aforesaid industry and policy environment, the Group will adhere to the principle of prudent operation, follow the direction of industrial adjustment and align with policy strategies, continuously strengthen internal management capabilities and asset quality, and enhance operational efficiency and anti-cyclical resilience. As the largest organic raw milk supplier of Mengniu Group, the Group will continue to ensure the steady growth of Mengniu Deluxe Milk's desert organic business with high quality as its core business goal, further deepen industrial chain synergy, strengthen the organic resource integration capability of the entire industrial chain, and ensure the stability of raw milk supply and continuous improvement of quality standards. Focusing on the key variables during the industry recovery phase, the Group will prioritize the following areas: (i) continuously deepen the procurement synergy mechanism, optimize feed formulation and feeding management systems, strengthen herd health and reproduction efficiency management, reduce unit costs through refined operations, and consolidate the competitive advantage of the cost curve; (ii) promote digital upgrading of the production system and integrated application of data, enhance management transparency and decision-making efficiency, strengthen equipment operation and maintenance management and standardization of production processes, and improve overall operational efficiency; (iii) actively respond to green development policies, strengthen the construction of environmental protection facilities and energy conservation and emission reduction management, improve water resource utilization and recycling systems, and enhance long-term sustainable operation capabilities by relying on the unique resource advantages

of the Ulan Buh Desert; (iv) rationalize upstream and downstream relationships, strengthen strategic synergy with core customers, enhance value creation capacity on the basis of stable supply, and achieve win-win development of the industrial chain; and (v) taking advantage of the current favourable window of rising beef cow prices and continuously expanding supply gap, the Group will actively promote the milk and beef linkage business. Based on the existing 10,000-head beef cows farm and high-quality dairy cow herd as the resource pool, the Group will establish a dynamic operation mechanism of “stabilizing production with milk and increasing efficiency with beef”, flexibly allocate resources according to market conditions, maximize the value of dairy cow assets, strengthen in-depth synergy of the industrial chain and brand premium capacity, and build a sustainable and anti-cyclical two-wheel-driven growth model.

Although the industry is currently in a recovery phase, the policy support direction is clear, supply-side structural optimization is continuously advancing, and the long-term demand foundation of dairy products as basic consumer goods for people’s livelihood has not fundamentally changed. Cyclical adjustments have created conditions for enterprises to optimize structure, enhance efficiency and consolidate asset quality. The Group will continue to adhere to a prudent and cautious development strategy, continuously improve operational quality and core competitiveness in the process of industry recovery, lay a foundation for releasing operational flexibility in the future industry recovery stage, and achieve steady enhancement of the Group’s long-term value.

CORPORATE GOVERNANCE PRACTICES

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

In 2025, we had adopted, applied and complied with the code provisions contained in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) (as amended from time to time).

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, in 2025, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

AUDIT COMMITTEE

As at 31 December 2025, the Audit Committee comprised two independent non-executive Directors (Mr. Wang Liyan and Mr. Wu Liang) and a non-executive Director (Mr. Zhang Ping), and was chaired by Mr. Wang Liyan.

The Audit Committee has reviewed, with the Company's management and the external auditors the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control system and financial reporting matters, including the review of the Group's annual results for the year ended 31 December 2025.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the year ended 31 December 2025 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2025. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

PROPOSED FINAL DIVIDEND

The Board of Directors of the Company did not recommend the payment of a final dividend in respect of the year ended 31 December 2025 (2024: Nil).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shengmuorganicmilk.com). The annual report of the Company for the year of 2025, which contains all the information required by the Listing Rules, will be despatched to the shareholders and published on the aforesaid websites at a later date.

APPRECIATION

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

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

Hong Kong, 25 March 2026

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