



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



2025
ANNUAL REPORT

Company Profile

The Company was listed on the Stock Exchange on June 18, 2021 (stock code: 9858. HK). The Group is a leader in China's upstream dairy market with business covering the entire upstream dairy industry chain from breeding, feed to raw milk production, and has achieved a leading position in all business segments.

As of December 31, 2025, the Group operated 100 dairy farms, 15 feed mills, 16 forage grass plantation bases, 4 world leading dairy cow key breeding bases and a breeding bull station and an online dairy industry chain platform Jumuc.com, with a herd size of dairy cows of 618,796 heads and dairy goats of 19,932 heads. For the year ended December 31, 2025, the Group's production of premium raw milk and specialty raw milk was 4,232,451 tons, with the specialty raw milk now including 8 categories, namely Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk, organic Jersey milk and goat milk. The Group produces 1,102,702 tons of concentrated feed products for dairy cows, beef cattle and mutton sheep, dairy goats, camels, yaks and other livestock species. Through its online platform, 23 offline pick-up stores and multiple county-level animal husbandry service centers, the Group covers more than 7,000 types of ruminant farming products for various core business operations of dairy farms. The sales volume of the Group's breeding products, such as common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle, amounted to 1,016,405 straws/units, of which the sales volume of embryo products that can improve the overall genetic level of the dairy cows increased by 45.1% as compared with the period of 2024, making us one of the dairy cow breeding enterprises in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

The Group will comprehensively enhance its technological value and aspire to lead China's dairy farming industry in terms of quality development, and is committed to manufacturing and offering high-quality products, technologies and services, as well as improving its comprehensive competitiveness, repaying customers and Shareholders with superior products and excellent performance for their support for the Group, and continuously contributing to the health, low-carbon and sustainable development of China's dairy industry.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hao Haijun (郝海軍) (*Chairman and President*)
(*appointed as an executive Director, the Chairman and President on March 28, 2025*)

Mr. Dong Jiping (董計平)

Ms. Meng Yilan (孟一蘭)
(*appointed on March 28, 2025*)

Mr. Yuan Jun (袁軍)
(*resigned as an executive Director, the Chairman and President on March 28, 2025*)

Non-Executive Directors

Mr. Bai Wenzhong (白文忠)
(*appointed on June 27, 2025*)

Ms. Li Lin (李林)
(*appointed on June 27, 2025*)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)
(*resigned on March 28, 2025*)

Mr. Xu Jun (徐軍)
(*resigned on June 27, 2025*)

Mr. Yang Huicheng (楊慧成)
(*resigned on June 27, 2025*)

Independent Non-Executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Ms. Huang Lin (黃琳)
(*appointed on June 27, 2025*)

Mr. Shen Jianzhong (沈建忠)
(*resigned on June 27, 2025*)

AUDIT COMMITTEE

Ms. Xie Xiaoyan (謝曉燕) (*Chairperson*)

Mr. Yao Feng (姚峰)

Ms. Huang Lin (黃琳)
(*appointed on June 27, 2025*)

Mr. Qiu Zhongwei (邱中偉)
(*resigned on March 28, 2025*)

Mr. Shen Jianzhong (沈建忠)
(*appointed on March 28, 2025 and resigned on June 27, 2025*)

REMUNERATION COMMITTEE

Ms. Huang Lin (黃琳)

(*appointed as the Chairperson on June 27, 2025*)

Ms. Xie Xiaoyan (謝曉燕)

Mr. Bai Wenzhong (白文忠)

(*appointed on June 27, 2025*)

Mr. Shen Jianzhong (沈建忠)

(*resigned on June 27, 2025*)

Mr. Xu Jun (徐軍)

(*resigned on June 27, 2025*)

NOMINATION COMMITTEE

Mr. Hao Haijun (郝海軍)

(*appointed as the Chairperson on March 28, 2025*)

Mr. Yao Feng (姚峰)

(*reassigned from the Chairperson to a member on March 28, 2025*)

Ms. Xie Xiaoyan (謝曉燕)

(*appointed on March 28, 2025*)

Mr. Shen Jianzhong (沈建忠)

(*resigned on March 28, 2025*)

Mr. Xu, Zhan Kevin (許湛)

(*resigned on March 28, 2025*)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Yao Feng (姚峰)

(*reassigned from a member to the Chairperson on March 28, 2025*)

Ms. Xie Xiaoyan (謝曉燕)

Ms. Huang Lin (黃琳) (*appointed on June 27, 2025*)

Mr. Shen Jianzhong (沈建忠)

(*reassigned from the Chairperson to a member on March 28, 2025 and resigned on June 27, 2025*)

COMPANY SECRETARY

Ms. Yu Wing Sze (余詠詩)

AUTHORISED REPRESENTATIVES

Mr. Dong Jiping (董計平)

Ms. Yu Wing Sze (余詠詩)

Corporate Information

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

LEGAL ADVISORS

As to Hong Kong law
King & Wood

As to Cayman Islands law
Ogier

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

Bank of Communications
Inner Mongolia Region Branch
No. 18 Xinhua East Street, Saihan District
Hohhot, Inner Mongolia
China

STOCK CODE

9858

COMPANY WEBSITE

<https://www.yourandairy.com/>

Highlights

	Year ended December 31,		Year-on-year change (%)
	2025 RMB'000	2024 RMB'000	
Revenue	20,653,706	20,096,160	2.8
Gross profit	6,153,697	5,782,990	6.4
Loss attributable to owners of the Company	(432,386)	(690,890)	37.4
Non-IFRSs measures:			
Cash EBITDA ^{Note 1}	5,587,029	5,324,910	4.9
Profit for the year (before biological assets fair value adjustments) ^{Note 2}	3,876,667	3,059,873	26.7
Annualized average milk yield per milkable cow (excluding Jerseys)	Tons 12.8	Tons 12.6	1.6

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2025.

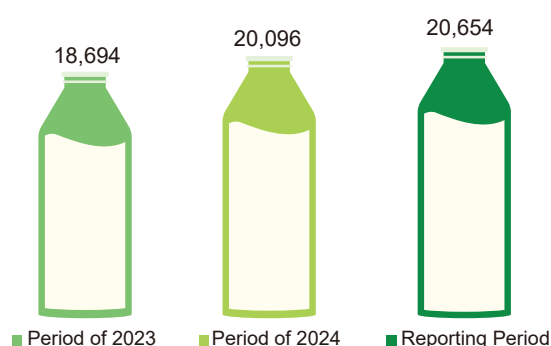
Notes:

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 recognized in respect of property, plant and equipment and right-of-use assets, (iv) losses arising from changes in fair value less costs to sell of biological assets, (v) income tax expense, (vi) finance costs, (vii) interest income, and (viii) depreciation and amortization charged to profit or loss.
2. It represents profit for the year excluding losses arising from changes in fair value less costs to sell of biological assets.

Highlights

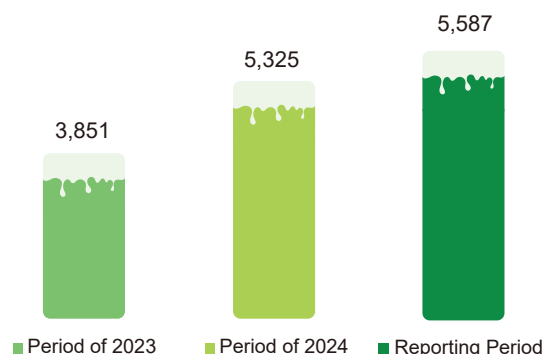
Steady growth of revenue

(RMB million)



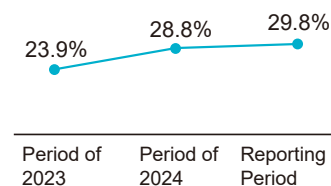
Steady growth of cash EBITDA

(RMB million)



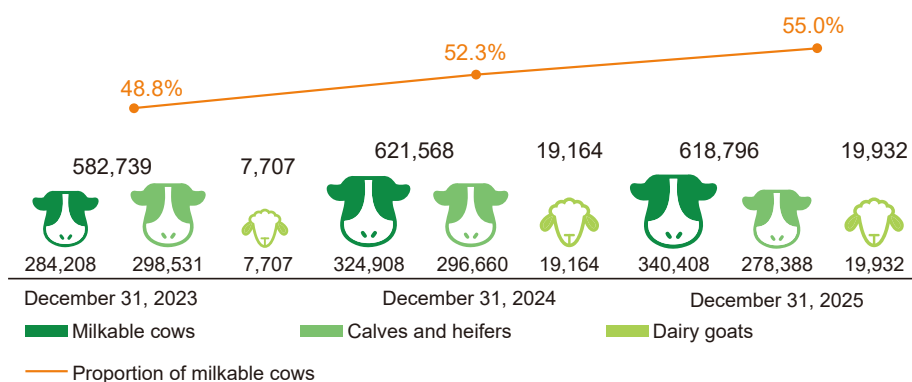
Continuous increase of gross profit margin

(%)



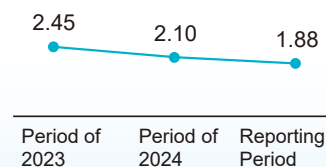
Continued optimization of herd structure

(heads)



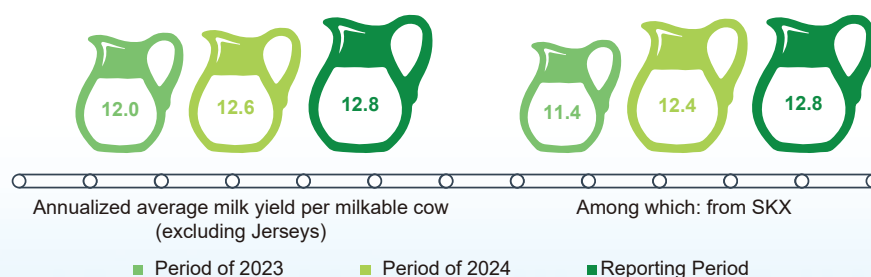
Continuous decrease of feed cost of raw milk

(RMB/kg)



Annualized average milk yield per milkable cow hits new high

(tons/head/year)



President's Statement



Hao Haijun
Chairman and President

On behalf of the Board of the Company, I am pleased to present the performance review and outlook of the Group during the Reporting Period to all Shareholders.

During the Reporting Period, the dairy industry experienced gradual recovery. The decline in raw milk prices moderated, and raw milk costs further decreased, while rising beef prices helped offset some of the downward pressure from milk prices. Capitalizing on favorable industry dynamics, the Group steadfastly pursued its high-quality development strategy. By leveraging our core competencies in technology-driven innovation, lean management and a fully integrated industry chain, we continued to build an intelligent farming system, intensified technology-led innovation, solidified our foundation for quality growth, and practiced green development principles. While effectively navigating short-term market fluctuations, we made steady progress in building enduring core capabilities, demonstrating robust operational resilience, enabling us to achieve dual breakthroughs in steady revenue growth and improved operational efficiency. During the Reporting Period, the Group's revenue increased by 2.8% year-on-year to RMB20,654 million, gross profit rose by 6.4% year-on-year to RMB6,154 million, and cash EBITDA grew by 4.9% year-on-year to RMB5,587 million.

FULL INDUSTRY CHAIN SYNERGIES DRIVE HIGH-QUALITY DEVELOPMENT

Raw Milk Business: Reinforcing the Core Foundation and Solidifying Industry Leadership

As the Group's core business, revenue from the raw milk business was RMB16.02 billion during the Reporting Period, up by 6.1% year-on-year and accounting for 77.6% of the Group's total revenue. Through precise nutritional formulations, intelligent farm management and lean operations, the raw milk business achieved growth in both volume and quality: the raw milk production volume amounted to 4.232 million tons, representing a year-on-year increase of 12.9%; the annualized average milk yield per milkable cow (excluding Jerseys) rose to 12.8 tons, representing a year-on-year increase of 1.6%; the feed cost per kilogram of raw milk fell 10.5% thanks to exceptional cost control achievements. Quality control remained rigorous and industry-leading, with key raw milk indicators surpassing EU standards. We also developed a diverse matrix of eight specialty fresh milk categories, including organic, Jersey, A2 milk, DHA milk and goat milk, to precisely address differentiated downstream customer needs, enabling product premiumization for customers and supporting ongoing upgrades across the dairy industry.

President's Statement



Comprehensive Ruminant Farming Solutions: Empowering the Full Chain with Dual Advantages in Technology and Ecology

During the Reporting Period, revenue from the comprehensive ruminant farming solutions was RMB4.63 billion, representing 22.4% of the Group's total revenue. This segment provides products and one-stop services for farms covering the full lifecycle of ruminants, comprehensively supporting cost reduction and efficiency enhancement across the industry. Notably, fueled by new product R&D and an expert service system, the concentrated feed business achieved sales of nearly 846,000 tons; dairy cow feed was exported to Mongolia, while beef cattle and mutton sheep feed sales surged 46.7% year-on-year. The forage grass business achieved a breakthrough, with alfalfa regreening rates exceeding 92% and silage yield per mu reaching a record 1.59 tons. The "Intelligent Forage Grass Cloud" system enabled full-process digital management of forage, ensuring stable supply of high-quality forage grass and contributing to lower farming costs. The ruminant farming products marketplace business launched proprietary brands and expanded into new media channels to better serve customer needs. The breeding business maintained industry-leading technology, with sales volume of sex-sorted embryos increased by 45.1% year-on-year. The independently bred bulls dominated Genomic China Performance Index (GCPI) rankings released in December 2025, with an additional 27 bulls ranking in the national top 100, laying a solid foundation for China's self-reliant and controllable seed sources.

R&D and Quality: Innovation-Driven Leadership with Uncompromising Quality Standards

The Group has long placed R&D and innovation at the forefront. During the Reporting Period, the R&D investment increased by 38.0% year-on-year, and we participated in formulating 11 industry-related standards. As of December 31, 2025, we had accumulated 113 core patents. We established a leading domestic ruminant nutrition database and continued to advance the industrialization of genetic improvement and sex-sorted embryos technologies, creating formidable competitive barriers through technological innovation.

Upholding the management concept that "quality is life", the Group established over 1,400 control standards and secured multiple international certifications, including SQF and ISO. Product quality sampling pass rates reached 100% at all levels, with key raw milk indicators significantly outperforming EU standards, building deep market trust through uncompromising quality.

President's Statement

Digital Transformation: Deepening Intelligent Systems for Operational Excellence

During the Reporting Period, the Group steadily enhanced the “Intelligent Forage Grass Cloud” intelligent farm management system, advanced the construction of precise nutrition and feeding platforms, launched a screening model for low-value cattle and a farm production index early warning system, and leveraged the “Cow Doctor” AI-driven precise nutrition model to accelerate data-intelligent transitions in farm management. We also deployed AI sprinklers, smart energy monitoring and other intelligent equipment to achieve cost savings and efficiency enhancement. In addition, systems such as “Intelligent Forage Grass Cloud” and the “HP Full-Chain Management Platform” were implemented, achieving true traceability and closed-loop management of data across the entire process of forage grass planting and farming. The “Full Life Cycle Contract Management System” deeply applied AI intelligent review technology, significantly improving the accuracy and efficiency of compliance control.

Sustainability: Pioneering Green Strategies and Setting Industry Benchmarks

Sustainability is woven into every facet of the Group's operations, positioning us as an industry exemplar in green development. During the Reporting Period, the Pingdingshan Dairy Farm became the first “carbon-neutral” dairy farm in China's dairy industry; the Zhumadian Dairy Farm was granted 91,300 tons of international Verified Carbon Standard (VCS) carbon credits, successfully monetizing carbon assets. The Group scored 71 in S&P Global Corporate Sustainability Assessment (CSA), ranking first among Chinese dairy companies; and earned B (management level) ratings in climate, water safety and forest risk in the Carbon Disclosure Project (CDP) evaluation, solidifying our position as a benchmark for green development in the dairy industry.

FUTURE OUTLOOK: ANCHORING LONG-TERM GOALS AND PRIORITIZING HIGH-QUALITY DEVELOPMENT

Looking ahead, capitalizing on opportunities presented by favourable national policy and the recovery and upgrading of consumer markets, the Group will further 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”. We remain steadfast in executing our established strategic guidelines, deepening implementation of our six core strategic initiatives including technology-driven innovation, platform collaboration and expansion, lean management, digital empowerment of business, talent development and corporate culture, and sustainable green development. The Group is committed to building its core competitiveness, improving operational efficiency and expanding revenue and profit margins. Besides, the Group will closely track industry development trends and market changes. On the solid foundation of advancing its established strategies, the Group will actively explore related business opportunities within the industrial chain, cultivate new growth drivers, consolidate its industry leadership, and achieve long-term development of higher quality and sustainability.

APPRECIATION

On behalf of the Board and the management team, I would like to extend my sincere gratitude to all employees for their hard work, to our Shareholders for their trust and support, and to our partners for their collaborative efforts and mutual success. Looking forward, let us join hands, unite our efforts, and together embark on a new journey of high-quality development in the dairy industry!

Hao Haijun
Chairman and President
March 27, 2026

Distribution Map of Production Bases



100 self-operated dairy farms

Covering 17 provinces (autonomous regions and municipalities) with a herd size of nearly 620,000 dairy cows and 20,000 dairy goats



15 feed mills

Mainly produces concentrated feed products for dairy cows, beef cattle and mutton sheep, dairy goats, camels, yaks and other livestock species, with an output of concentrated feed of more than 1.10 million tons during the Reporting Period



16 forage grass plantation bases

Having built forage grass plantation bases centered on Ar Horqin Banner, China's "Grass Capital", for producing premium forage grass



4 key breeding bases, 1 breeding bull station

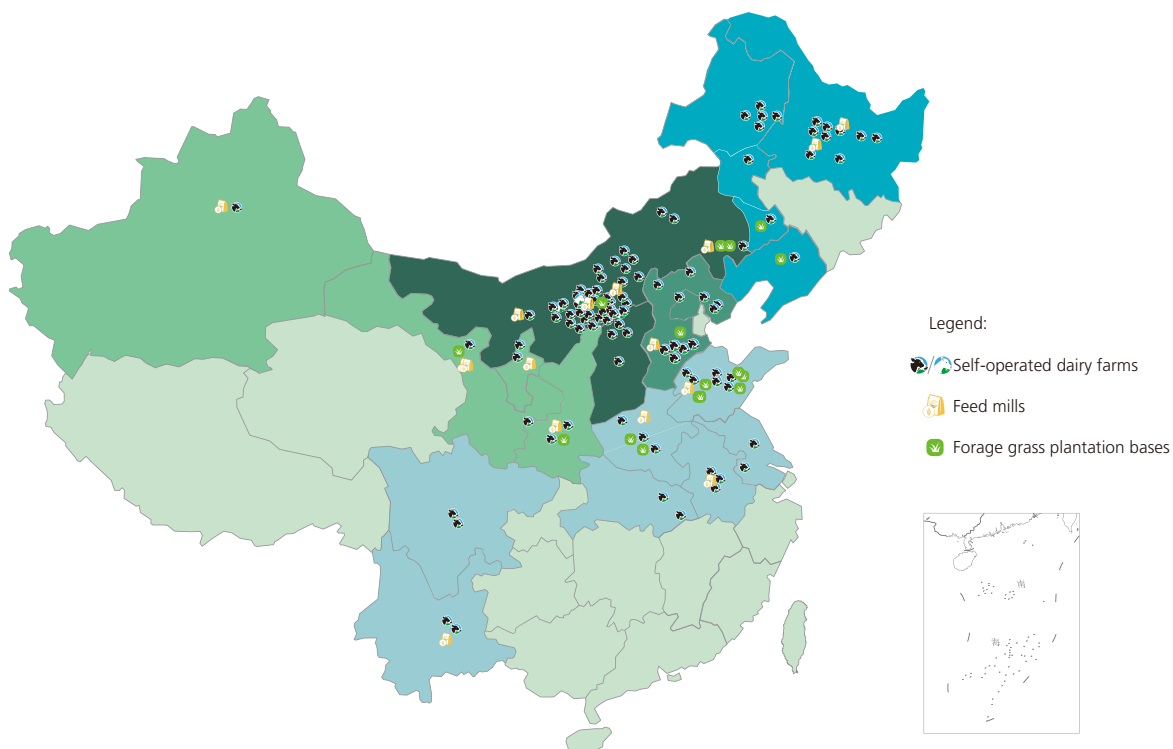
Provides dairy farms with, among others, frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle, with the sales volume of the breeding products of more than 1.01 million straws/units during the Reporting Period



1 dairy farming industry chain platform,

23 offline pick-up stores

Industry chain financial center, warehousing and logistics center, cloud innovation sharing center and global procurement center
Provides more than 7,000 types of ruminant farming products in pick-up stores, covering various core business operations of dairy farms



Production base distribution area	Quantity			
	Self-operated dairy farms	Among which, self-operated dairy farms newly added during the Reporting Period	Feed mills	Forage grass plantation bases
Inner Mongolia and Shanxi Regions	43	1	3	1
Northeast Region	18	/	3	4
North China Region	11	1	1	1
Central China Region	21	1	4	8
Northwest Region	7	1	4	2
Total	100	4	15	16

Awards and Recognition

01



01

DECEMBER 2025 S&P GLOBAL CORPORATE SUSTAINABILITY ASSESSMENT (CSA)

S&P CSA score reached 71 points, demonstrating continued leadership in sustainable development

CHINA YOURAN DAIRY GROUP LIMITED

02



02

DECEMBER 2025 CARBON DISCLOSURE PROJECT (CDP)

Achieved a CDP management level (Grade B) rating in the three areas of climate change, water safety and forest risk

CHINA YOURAN DAIRY GROUP LIMITED

04



03

NOVEMBER 2025 VERIFIED CARBON STANDARD (VCS)

Granted 91,300 tons of carbon credits by VCS

ZHUMADIAN YOURAN DAIRY CO., LTD.

04

NOVEMBER 2025 CHINA TESTING & CERTIFICATION INTERNATIONAL GROUP CO., LTD.

(中國國檢測試控股集團股份有限公司)

Carbon Neutrality Certificate

PINGDINGSHAN YOURAN DAIRY CO., LTD.

Awards and Recognition



05

DECEMBER 2025 MINISTRY OF AGRICULTURE AND
RURAL AFFAIRS OF THE PEOPLE'S
REPUBLIC OF CHINA

"Smart Dairy Farming Model" selected as a model
case of intelligent agriculture by the Ministry of
Agriculture and Rural Affairs

INNER MONGOLIA YOURAN DAIRY CO., LTD.

06

JULY 2025 INNER MONGOLIA AUTONOMOUS REGION
FEDERATION OF INDUSTRY AND COMMERCE
INNER MONGOLIA AUTONOMOUS REGION
NON-PUBLIC ECONOMIC DEVELOPMENT
SERVICE BUREAU

Top 100 Private Enterprises in Inner Mongolia
(ranked 11th)

INNER MONGOLIA YOURAN DAIRY CO., LTD.

07

NOVEMBER 2025 INNER MONGOLIA AUTONOMOUS
REGION DEVELOPMENT AND REFORM
COMMISSION

"Engineering Center for Dairy Cow Nutrition and
Intelligent Farming Industrial Technology of Inner
Mongolia Autonomous Region" officially approved

INNER MONGOLIA YOURAN DAIRY CO., LTD.

Management Discussion and Analysis

INDUSTRY REVIEW

During the Reporting Period, China's macroeconomic policies have exerted their effects, and the economy continued its steady and positive development momentum. The herd size of dairy cows continued to undergo adjustments. Benefiting from the sustained improvement in milk yield per milkable cow, data from the National Bureau of Statistics showed that the total output of raw milk slightly increased by 0.3% year-on-year. However, insufficient effective domestic demand caused the supply-demand imbalance in the dairy products industry to remain pronounced, with milk prices falling to multi-year lows. According to monitoring data from the Ministry of Agriculture and Rural Affairs, the average price of raw milk in China's major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg. Market demand for ruminant concentrated feed and forage grass as well as breeding products was also suppressed to a certain extent. Nevertheless, the phased decline in bulk raw material prices and the rise in beef prices partially offset the impact of lower raw milk prices on the industry. Monitoring data from the Ministry of Agriculture and Rural Affairs indicated that the average prices of soybean meal and corn decreased by approximately 6.6% and 4.3% year-on-year, respectively. Meanwhile, according to statistics from China Customs, the price of imported alfalfa hay dropped by approximately 4.2% year-on-year. The decline in prices of these major raw materials alleviated cost pressures on the upstream dairy industry to a certain extent. At the same time, monitoring data from the Ministry of Agriculture and Rural Affairs showed that the national average beef price in the last week of the Reporting Period rose by 8.2% compared with the first week, further offsetting the impact of declining milk prices and contributing to a relatively stable development trend for the industry.

During the Reporting Period, policies in the dairy products industry centered on consumption-driven growth and quality assurance, injecting long-term growth momentum into the sector. In February 2026, the Opinions of the Central Committee of the Communist Party of China and the State Council on Anchoring Agricultural and Rural Modernization to Solidly Promote Comprehensive Rural Revitalization were issued, emphasizing multiple measures to promote dairy product consumption. In July 2025, the Ministry of Agriculture and Rural Affairs and nine other departments jointly issued the Implementation Plan for Promoting Agricultural Product Consumption, which boosted dairy product consumption by promoting scientific milk-drinking knowledge, cultivating healthy milk-drinking awareness, and launching milk cuisine maps. In August 2025, the Ministry of Agriculture and Rural Affairs' Reply to Proposal No. 8249 of the Third Session of the 14th National People's Congress (Nong Ban Yi [2025] No. 361) proposed advancing the informatization of the raw milk quality and safety supervision system, strengthening full-chain quality control, and building a solid food safety defense line. Starting from December 23, 2025, China implemented temporary anti-subsidy measures on relevant dairy products originating from the European Union to effectively shield the domestic dairy industry from the impact of low-priced imports.

Management Discussion and Analysis

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. The Group's revenue amounted to RMB20,654 million during the Reporting Period, representing an increase of 2.8% as compared with RMB20,096 million in the period of 2024.

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, 2025, the Group operated 100 modern dairy farms (including 1 dairy goat farm) across 17 provinces (autonomous regions and municipalities) in China, with a herd size of nearly 620,000 heads of dairy cows and a herd size of nearly 20,000 heads of dairy goats. During the Reporting Period, the sales volume of the Group's raw milk was 4,153,082 tons.	During the Reporting Period, revenue from the Group's raw milk business was approximately RMB16.02 billion, representing an increase of 6.1% from the period of 2024 and accounted for approximately 77.6% of the Group's total revenue during the Reporting Period.
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 solutions, such as ruminant nutrition, breeding techniques, and ruminant healthcare.	As of December 31, 2025, the Group operated 15 feed mills and 16 forage grass plantation bases in China. During the Reporting Period, the sales volume of the Group's concentrated feed was 845,804 tons.	During the Reporting Period, revenue from the Group's comprehensive ruminant farming solutions was approximately RMB4.63 billion and accounted for approximately 22.4% of the Group's total revenue during the Reporting Period.

Management Discussion and Analysis

Business Segments	Business Lines	Business Introduction	Operations	Revenue
	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, Jumuc.com, and offline pick-up stores and offers ancillary ruminant farming solutions to diversify its product offerings and further address its customers' business needs.	During the Reporting Period, the Group provided over 7,000 ruminant farming products through its online platform, Jumuc.com, and 23 offline pick-up stores to 25 provinces (autonomous regions and municipalities) of China, covering core operations of dairy farms.	
	Breeding business	Through its subsidiary, SKX, 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, 2025, the Group operated 4 key breeding bases and 1 breeding bull station, with herd sizes of 137 heads of dairy breeding bulls, 69 heads of beef cattle breeding bulls, and 184 heads of breeding dairy goats, respectively. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,016,405 straws/units, among which, the sales volume of sex-sorted embryos recorded a year-on-year increase of 45.1%.	

Management Discussion and Analysis

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,		Year-on-year
	2025	2024	change (%)
Number of self-operated dairy farms ^{Note 1}	100	97	Increased by 3 farms ^{Note 2}
Herd size of dairy cows (in heads)	618,796	621,568	(0.4)
Including: Milkable cows	340,408	324,908	4.8
Calves and heifers	278,388	296,660	(6.2)
Proportion of milkable cows in the herd size of dairy cows	55.0%	52.3%	Increased by 2.7 percentage points
Herd size of dairy goats (in heads)	19,932	19,164	4.0

Notes:

- Includes one dairy goat farm with a planned herd size of 50,000 heads, which is currently the biggest dairy goat farm in China and is about to be a world-class breeding goat farm.
- During the Reporting Period, the Group put 4 new dairy farms into operation and transformed 1 small-scale dairy farm into an experimental farm for its internal feed business.

	For the year ended December 31,		Year-on-year
	2025	2024	change (%)
Raw milk production volume (in tons)	4,232,451	3,747,448	12.9
Raw milk sales volume (in tons)	4,153,082	3,669,563	13.2
Average price of raw milk (RMB/kg)	3.86	4.12	(6.3)
Annualized average milk yield per milkable cow (excluding Jerseys ^{Note 1} ^{Note 2} (in tons)	12.8	12.6	1.6
Including: SKX (in tons)	12.8	12.4	3.2

Notes:

- 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.
- For the year ended December 31, 2025, 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.

Management Discussion and Analysis

Farm overview and herd structure

As of December 31, 2025, the Group operated 100 modern dairy farms (including 1 dairy goat farm) across 17 provinces in China. The herd size of dairy cows was 618,796 heads, representing a decrease of 0.4% as compared with 621,568 heads as of December 31, 2024, including 340,408 milkable cows, accounting for 55.0% of the total number of dairy cows, increased by 2.7 percentage points as compared with 52.3% as of December 31, 2024. As of December 31, 2025, the herd size of dairy goats was 19,932 heads, including 10,294 milkable goats, and 9,638 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

During the Reporting Period, the Group's raw milk production amounted to 4,232,451 tons, representing an increase of 12.9% from 3,747,448 tons for the period of 2024. The annualized average milk yield per milkable cow (excluding Jerseys) was 12.8 tons, representing an increase of 1.6% from 12.6 tons for the period of 2024, among which, the annualized average milk yield per milkable cow of SKX was 12.8 tons, representing an increase of 3.2% from 12.4 tons for the period of 2024.

During the Reporting Period, leveraging its self-developed intelligent farm management system, the "Intelligent Farm Cloud", the Group deepened the construction of precision nutrition and feeding platforms, launched a screening model for unvaluable cattle and a farm production index early warning system, and utilized the precision nutrition digital intelligence model "Cow Doctor" to drive data-informed decision-making. Meanwhile, the Group promoted lean management by centering on the TPM system, optimized nine standardized management processes, upgraded farm infrastructure and equipment, and implemented intelligent devices such as AI-powered sprinkler systems, smart fans and intelligent energy monitoring platforms. These initiatives effectively improved dairy cow comfort and herd health, reduced energy and water consumption, resulting in a year-on-year increase of 1.6% in the annualized average milk yield per milkable cow and a year-on-year decrease of 10.5% in feed cost per kilogram of raw milk. The quality of raw milk surpassed European Union standards. In addition, the Group integrated feed R&D, breeding technologies with whole-industry-chain resources, and completed genetic improvements for over 12,000 dairy cows through customized nutrition programs, efficient breeding technologies, combined with ovum pick-up-in vitro fertilization (OPU-IVF) embryo transfer and whole-genome testing technologies, continuously enhancing dairy cow production performance and feed utilization efficiency.

Raw milk R&D and study on dairy farming technology

The Group continued to deploy specialty raw milk products, building a diversified product matrix covering Jersey milk, A2 milk, DHA milk, organic milk, goat milk, etc. At the same time, leveraging its own dairy cow nutrition database, the Group established an industry-leading platform for herd nutrition and health R&D. Through precision nutrition research and large-scale application, it improved both breeding efficiency and raw milk quality. During the Reporting Period, the Group applied plant polyphenol and enzyme-bacteria synergy technologies to reduce inflammation incidence in dairy cows and improve feed conversion rate; expanded the use of regional raw materials through the raw material cost-effectiveness intelligent calculation platform; and achieved significant cost reduction and efficiency enhancement through protein raw material diversification, feeding with a high proportion of silage diets and reduced imported alfalfa hay. The Group's self-developed rumen-protected high-oleic fatty acid powder increased milk yield per dairy cow without raising feeding costs. With product innovation, feed diversification and improved conversion rates as the core, the Group continuously optimized operational efficiency and promoted high-quality development of livestock farming.

Management Discussion and Analysis

(II) Comprehensive Ruminant Farming Solutions

The Group provides high-quality concentrated feed and forage grass covering the full lifecycle of ruminants, and creates breeding products with core competitiveness.

Concentrated feed business

The Group has deepened its expertise in ruminant animal nutrition, meeting the nutritional needs of various ruminants at all growth stages through twelve product categories.

As of December 31, 2025, the Group operated 15 feed mills. During the Reporting Period, the sales volume of concentrated feed was 845,804 tons as affected by industry cycles, representing a year-on-year decrease of 3.7%, and the production volume was 1,102,702 tons, representing a year-on-year decrease of 3.5%. The Group adopted approaches including new product R&D, product upgrades, technical services, brand building, channel expansion and lean management to comprehensively cope with industry fluctuations, providing customers with one-stop cost reduction and efficiency improvement solutions and achieving cost reduction, quality improvement and operational efficiency enhancement across the entire value chain.

During the Reporting Period, the Group launched series such as “You Yi Niu (優益牛)” and “Yuan Yi Mu XPC (元益牧XPC)” with respect to R&D and product development, completed upgrades to multiple core products, and continued to deploy high-efficiency nutrition technologies. In technical services, the Group assembled a think tank of nearly 200 senior experts. Leveraging on the “Jumuc.com” online platform, county-level service centers and ruminant farming products marketplaces, the Group built a three-tier comprehensive farming service system to help customers reduce costs and increase efficiency. In brand and channel development, the Group established the “You Yi Niu (優益牛)” dairy cow feed brand and a “product + service” systematic solution benchmark; dairy cow feed was exported to Mongolia, with sales to large customers and overseas customers growing year-on-year, while sales volume of beef cattle and mutton sheep feed grew by 46.7% year-on-year. In management, the Group deepened implementation of the TPM lean management system, optimized quality, equipment and supply chain processes to form a long-term improvement mechanism. Going forward, the Group will continue to strengthen technological innovation and international collaboration to drive high-quality and sustainable development of the animal husbandry.

Forage grass business

Centered on Ar Horqin Banner, known as “China’s Grass Capital”, the Group has built a system of premium forage grass plantation bases. As of December 31, 2025, the Group had laid out 16 forage grass plantation bases nationwide, promoting the construction of supporting planting bases near farms, realizing the deep integration of planting and breeding with the industry chain, and providing stable and high-quality forage resources for the raw milk business.

Management Discussion and Analysis

During the Reporting Period, the Group achieved multiple breakthroughs in forage grass technological innovation and practice: relying on its self-developed alfalfa cold-resistant gene and germplasm hybridization technologies, the overall regreening rate of alfalfa hay reached over 92%, and alfalfa silage yield per mu reached a record high of approximately 1.59 tons; wrapped silage technology was applied to improve nutrient retention and palatability, and optimize product quality; the planting-and-farming integration model was promoted, together with land improvement and soil carbon sequestration research, completing no-till carbon-sequestration seeding on 55,100 mu and delivering synergistic ecological and economic benefits; research efforts focused on new high-quality alfalfa varieties, efficient water-saving irrigation, forage grass planting on saline-alkali land and herbicide residue control; and the Group undertook scientific research projects, implemented standardized planting and large-scale intercropping, and advanced saline-alkali land improvement to strengthen technological and cost advantages. The self-developed “Intelligent Forage Grass Cloud” digital platform achieved intelligent management across the entire process of forage grass planting, processing and traceability, forming a closed-loop digital management system “from a blade of grass to a glass of milk” and driving high-quality development of the forage grass business.

Ruminant farming products marketplace business

As of December 31, 2025, the Group provided over 7,000 ruminant farming products through the online platform, Jumuc.com and 23 offline pick-up stores nationwide, which comprehensively covered core operational needs of dairy farms and provided one-stop sourcing solutions to its customers.

During the Reporting Period, the Group focused on industrial chain integration and operational upgrading of the ruminant farming products marketplace business, realizing a multi-dimensional breakthrough. In terms of industrial chain and brand building, the Group expanded vaccine sales models and agricultural materials sales channels by leveraging its industrial chain integration advantages. In partnership with more than ten well-known suppliers, the Group has developed its own brand products and launched the cleaning liquid “Youmuqing (優牧淨)”, and built a regional agency system to enhance market coverage and brand influence. The “Jumuc.com” online platform enhanced user activity and retention through a diversified incentive system, optimized the transaction closed loop and empowered county-level service centers. In terms of new media layout, the Group completed the establishment of the brand new media store “Youmu Selections (優牧甄選)” from scratch, cultivated exponential growth in potential customers through precise operations, and further improving user value and channel efficiency.

Management Discussion and Analysis

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 cultivation technology system through the dual-wheel drive of in-house breeding and international cooperation.

As of December 31, 2025, the Group operated 4 core breeding bases in Inner Mongolia (including 2 for dairy cattle, 1 for beef cattle and 1 for dairy goats) and 1 breeding bull station integrating dairy cattle and beef cattle. The herd size of dairy breeding bulls, beef breeding bulls and dairy breeding goats amounted to 137 heads, 69 heads and 184 heads, respectively. During the Reporting Period, the sales volume of the Group's breeding products decreased by 11.2% from 1,144,814 straws/units in the period of 2024 to 1,016,405 straws/units in the Reporting Period due to industry cycles. Sales of embryo products that can raise the overall genetic level of dairy cows increased by 45.1% compared with the period of 2024, resulting in a continuous expansion of its market share.

The Group has long been committed to breaking through the "bottleneck" technologies in dairy cattle and beef cattle breeding, focusing on high-end breeding sources and key breeding technologies development as well as their industrialization. During the Reporting Period, in collaboration with universities and research institutions, the Group achieved multiple major breakthroughs and successful commercialization in livestock breeding and biological breeding. The "Breeding No.1 Chip" (high yield, disease resistance, long productive life) was validated on approximately 1,700 dairy cows, improving accuracy to 70%, while key reproductive trait loci were screened for the design of "Breeding No.2 Chip". The telomere-to-telomere (T2T) genome assembly of dairy cattle (high yield, high reproduction, long productive life) was completed, providing precise reference for functional testing of "Breeding No.2 Chip" and omics research. New technology, ovum pick-up-intracytoplasmic sperm injection (OPU-ICSI), for the selection and breeding of dairy breeding bulls was established, exploring new channels for the cultivation of high-quality dairy breeding bulls; and gene-edited dairy cattle, beef cattle and dairy goat projects advanced to the cloning and breeding stage of gene-edited offspring.

Thanks to sustained investment and technological breakthroughs, the Group has again achieved outstanding results in dairy cattle breeding. During the Reporting Period, according to the latest evaluation of comprehensive breeding values of Chinese dairy breeding bulls released by the National Animal Husbandry Service of the Ministry of Agriculture and Rural Affairs in December 2025, among the 998 genomically tested Holstein young bulls evaluated nationwide, the bulls bred by the Group remain ranked first in Genomic China Performance Index (GCPI), occupying four of the top five positions, with an additional 27 breeding bulls ranked among the national top 100, maintaining the industry's largest number. These achievements fully demonstrate the Group's leading position in dairy cattle breeding and further consolidate its competitive advantage in domestic and international livestock breeding markets.

Management Discussion and Analysis

II. R&D STRATEGIES MANAGEMENT

Leveraging more than 40 years of deep cultivation in the upstream dairy industry and its premium breeding resources of nearly 620,000 dairy cows and 20,000 dairy goats, the Group continued to focus on R&D across the entire upstream dairy industry chain. During the Reporting Period, R&D investment increased significantly by 38.0% year-on-year, providing a solid foundation for R&D activities.

The Group focused on empowering product upgrades and enhancing core competitiveness through technological innovation, with the following key measures and outcomes: a core technology R&D system was established; as of December 31, 2025, the R&D team comprised nearly 400 members, with core personnel possessing extensive upstream dairy R&D and practical experience; 22 new patents were granted during the Reporting Period, bringing the cumulative total of core patents to 113, fully covering all business segments, while the Group participated in the formulation and release of 11 national, group, and local standards, solidifying its technological barriers; a diversified product matrix was built, with eight categories of specialty raw milk experiencing minimal impact from declining milk prices due to their scarcity; self-developed core-technology concentrated feed products such as structural calf feed and rumen-protected soybean meal were launched, continuously improving ruminant nutrition solutions; key technology breakthroughs and commercialization were advanced, including the establishment of China's leading ruminant nutrition database, deepened industrialization of herd genetic improvement and sex-sorting technologies, and innovation in forage grass processing technologies and planting models. In addition, the Group collaborated with leading domestic universities and research institutions to participate in and undertake major projects such as agricultural biological breeding and the National Dairy Technology Innovation Center, tackling key upstream dairy technologies and accelerating the commercialization of achievements to empower high-quality development of the industry.

III. QUALITY ASSURANCE

Sticking to the mission of "Creating the Source Power for the Healthy Life of Human Beings with Quality" and adhering to the management concept that quality is life, the Group implements the quality management system among all the staff, during the entire process and in all aspects and the production program of "high quality, high standards and high requirements" through three core pillars of quality culture building, full-chain control and the output of high-quality products, laying a solid foundation for quality management.

Following the philosophy of "good breeding breeds good cows, good grass raises good cows, and good cows produce good milk", the Group has established over 1,400 strict control standards covering the entire process from forage grass planting, feed processing, breeding and production to fresh milk transportation, with real-time monitoring, analysis and inspection to ensure effective implementation of all standards. As the first comprehensive enterprise of dairy farming and feed processing in China that has passed SQF (Safe Quality Food system) certification, the Group continually optimized the certification system by benchmarking against international advanced standards and built a "full-value chain" quality control model. During the Reporting Period, 25 of the Group's dairy farms passed ChinaGAP (China Good Agricultural Practice) certification (a year-on-year increase of 7 dairy farms), while 5 dairy farms and 1 feed mill maintained SQF certification and continued to promote system certifications such as ISO9001 (the quality management system), ISO22000 (the food safety management system) and FAMI-QS (European Feed Additives and Premixtures Quality System), achieving standardized quality control across the entire process.

Management Discussion and Analysis

In terms of intelligent management, the Group established a leading near-infrared nutrition database with the volume of marked samples exceeding one million. By applying raw material adulteration identification technology and leveraging the near-infrared database, quality information management system, EHSQ (Environment, Health, Safety and Quality) management systems, the Group realized intelligent management of full-chain quality information. In risk prevention and control, the Group built a forward-looking prevention system, developed testing methods for key risk indicators, and implemented source-governance measures such as water source optimization and cleaning process upgrades to achieve zero detection of core risk substances in raw milk. At the same time, the Group improved audit, early-warning and supplier evaluation mechanisms and implemented a routine quality assurance control points (QACP) inspection system, forming a closed-loop risk management framework of “source prevention – process control – post-event traceability.”

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, significantly exceeded 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 implements a “full lifecycle” supplier management system, anchors in the core strategy of cost reduction and efficiency enhancement, strengthens supply chain resilience and effectively resists market volatility risks through diversified procurement strategies such as hedging of futures, strategic reserve, direct purchase from sources, global purchases and dynamic pricing, combined with full-process lean control.

In terms of supplier ecosystem development, the Group conducts risk rating and performance classification management for key Tier-1 suppliers, optimizing the supplier structure and enhancing comprehensive supplier capabilities through positive incentive and withdrawal mechanisms. The Group maintains in-depth collaboration with 8 core strategic suppliers, implementing 19 collaborative projects covering critical areas such as farm management improvement, business linkage, and epidemic prevention and control. While exploring opportunities for cost reduction and revenue growth, the Group also promotes the lean operation of farms and the cultivation of professional talents, constructing a win-win cooperative ecosystem.

In terms of cost reduction and efficiency enhancement, the Group established a scientific pricing analysis and rapid linkage response mechanism despite price fluctuations in bulk raw materials, optimized supplier layout, and standardized the entire procurement process. During the Reporting Period, the feed cost of raw milk per kilogram decreased by 10.5% year-on-year.

Management Discussion and Analysis

V. DIGITAL MANAGEMENT

Adhering to the principle of “data-driven business innovation, technology-driven value-added business”, the Group drives business transformation through data to enhance core competitiveness.

During the Reporting Period, the Group implemented multiple digitalization projects covering core areas such as farming, supply chain and corporate management through integrated governance mechanisms, while strengthening information security defenses. Proactive defense measures, including upgraded antivirus software, hierarchical control and real-time monitoring across all terminals, ensured business continuity, data security and compliant operations. In the core dairy farming field, relying on the self-developed “Cow Doctor” AI large model, the Group deepened the precision nutrition and feeding platform, built a dairy farm production indicator early-warning system and drove the management model transformation from experience-driven to data-intelligence-driven. In terms of operational efficiency improvement, the self-developed AI precision sprinkler system and intelligent energy monitoring platform were successfully applied at multiple dairy farms, effectively reducing operating costs. The full-chain data collaboration project for the feed supply chain integrated and optimized planning processes, enhancing overall synergy efficiency and capacity utilization. Systems such as “Intelligent Forage Grass Cloud” and the “HP Full-Chain Management Platform” were implemented, achieving true traceability and closed-loop management of data across the entire process of forage grass planting and farming. The “Full Life Cycle Contract Management System” deeply applied AI intelligent review technology, significantly improving the accuracy and efficiency of compliance control.

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. SUSTAINABLE DEVELOPMENT

The Group continues to adhere to its strategic goals of “carbon peak by 2030, carbon neutrality by 2050”. During the Reporting Period, the Group actively implemented various carbon reduction measures. Among them, the Zhumadian Dairy Farm successfully passed the official technical review for Verified Carbon Standard (VCS) and was granted 91,300 tons of VCS carbon credits. The Pingdingshan Dairy Farm was awarded a carbon neutrality certificate from the CTC, becoming the first “carbon-neutral” farm in China’s dairy industry, setting a benchmark for the industry’s low-carbon transformation. The Group also procured over 8,000 tons of deforestation-free soybean meal, promoting the planting of nearly 2 million mu of forage grass, further fulfilling its ecological protection responsibility. Meanwhile, the Group actively practices social responsibility by promoting local employment for farmers and herdsmen, effectively helping them increase income and achieve prosperity. Furthermore, the Group has established a compliant and transparent governance system, optimized its board structure, and improved its ESG governance framework, fully integrating the concept of sustainable development into its operations to solidify its development foundation.

During the Reporting Period, the Group’s sustainable development practices were widely recognized by external authorities, with the S&P Global Corporate Sustainability Assessment (CSA) score reached 71 points, ranking first among Chinese dairy companies. Additionally, the Group participated in the questionnaire survey of Carbon Disclosure Project (CDP) and obtained a management rating of B in three key areas of climate, water security and forest risk.

Management Discussion and Analysis

VII. PROSPECTS

Going forward, the Group will seize the opportunities presented by national policy incentives and the development of consumer-driven growth, unswervingly implement the Company's established strategic policies and further deepen its focus on six core strategic initiatives: technology-driven innovation, platform collaboration and expansion, lean management, digital empowerment of business, talent development and corporate culture, and sustainable green development. The Group is committed to building its core competitiveness, improving operational efficiency and expanding revenue and profit margins, as detailed below:

- i. The raw milk business will focus on improving herd quality and milk yield per milkable cow to produce high-quality raw milk, reduce the cost of raw milk per kilogram, increase the yield and profit per cow from the implementation of precise nutrition, diversification of feed ingredients, upgrade of environmental processes and deployment of new energy technologies. It will also strengthen technology-empowered business, build smart farms, independently develop high-value digital intelligent systems/equipment and advance the construction of digital platforms to enhance the efficiency of production and operation of its own farms and empower the industry to upgrade as a whole;
- ii. The feed business will expand its market coverage by establishing a customer value creation service system and developing feed products that align with market demand. It will enhance the "product + service" model to provide systematic solutions that improve customers' profitability and risk resistance. By driving both end-user control and distributor networks, and strengthening brand communication, the Group will enhance customer loyalty and market competitiveness;
- iii. The forage grass business will strengthen independent R&D in forage plantation industry, improve the quality, production and conversion rate of forage by applying precise planting management, advanced processing technologies and expanding planting scale, 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.

Besides, the Group will closely track industry development trends and market changes. On the solid foundation of advancing its established strategies, the Group will actively explore related business opportunities within the industrial chain, cultivate new growth drivers, consolidate its industry leadership, and achieve long-term development with higher quality and sustainability.

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.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Our revenue increased by 2.8% from RMB20,096 million for the period of 2024 to RMB20,654 million for the Reporting Period.

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

	For the year ended December 31,	
	2025 RMB'000	2024 RMB'000
Raw milk	16,023,947	15,100,802
Comprehensive ruminant farming solutions	4,629,759	4,995,358
Total	20,653,706	20,096,160

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

Our revenue generated from raw milk increased by 6.1% from RMB15,101 million for the period of 2024 to RMB16,024 million for the Reporting Period, which was mainly due to the increase of 13.2% in the sales volume of our raw milk from 3,669,563 tons for the period of 2024 to 4,153,082 tons for the Reporting Period as a result of continuous improvement in the milk yield per milkable cow and the continuous optimization 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 RMB3.86/kg for the Reporting Period, representing a decrease of 6.3% as compared to RMB4.12/kg for the period of 2024.

Our revenue generated from comprehensive ruminant farming solutions decreased by 7.3% from RMB4,995 million for the period of 2024 to RMB4,630 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 to our sales strategy based on the Group's risk control; and (ii) the decline in the market price of bulk raw materials, and dynamic adjustments to product prices, leading to a lower income.

Management Discussion and Analysis

Cost of sales

Our cost of sales increased by 3.9% from RMB18,782 million for the period of 2024 to RMB19,520 million for the Reporting Period, which was primarily due to the growth of raw milk business and the effect of fair value adjustment on agricultural produce.

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,	
	2025 RMB'000	2024 RMB'000
Raw milk	10,529,041	10,156,340
Comprehensive ruminant farming solutions	3,970,968	4,156,830
Total	14,500,009	14,313,170

Cost of sales for the raw milk business before raw milk fair value adjustments increased by 3.7% from RMB10,156 million for the period of 2024 to RMB10,529 million for the Reporting Period, which was primarily due to the increase in the number of dairy cows as a result of the continuous optimization of the herd structure, leading to an increase of sales volume.

During the Reporting Period, the Group's average feed cost of premium raw milk and specialty raw milk was RMB1.88/kg, representing a decrease of 10.5% from the period of 2024, 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 4.5% from RMB4,157 million for the period of 2024 to RMB3,971 million for the Reporting Period, which was primarily due to the combined effect of timely, proactive adjustment and optimization of sales strategy by the Group during the Reporting Period, leading to a decrease in sales volume, as well as 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 12.3% from RMB4,469 million for the period of 2024 to RMB5,020 million for the Reporting Period.

Management Discussion and Analysis

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 RMB4,469 million for the period of 2024 and RMB5,020 million for the Reporting Period, respectively, mainly due to the combined effect of the increase in sales volume of raw milk, the decrease in the average feed cost and the overall decline in the domestic selling price of raw milk. According to the requirements of IFRSs, agricultural 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 RMB5,783 million for the period of 2024, representing a gross profit margin of 28.8%, and a gross profit of RMB6,154 million for the Reporting Period, representing a gross profit margin of 29.8%.

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,			
	2025		2024	
	RMB'000 (except for percentage)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Raw milk	5,494,906	34.3%	4,944,462	32.7%
Comprehensive ruminant farming solutions	658,791	14.2%	838,528	16.8%
Total	6,153,697	29.8%	5,782,990	28.8%

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 RMB4,944 million for the period of 2024 to RMB5,495 million for the Reporting Period. The gross profit margin of the raw milk business increased from 32.7% for the period of 2024 to 34.3% 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.

Management Discussion and Analysis

The gross profit of the comprehensive ruminant farming solutions business decreased from RMB839 million for the period of 2024 to RMB659 million for the Reporting Period. The gross profit margin of comprehensive ruminant farming solutions business decreased from 16.8% for the period of 2024 to 14.2% for the Reporting Period, mainly because of the decrease in gross profit due to the decline in sales volume as a result of the Group's timely, proactive adjustment and optimization of sales strategy, as well as the decrease in gross profit due to the adjustment to product structure for customer's benefits.

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 RMB3,921 million for the period of 2024 to RMB4,312 million for the Reporting Period, which was primarily due to the combined effects of loss arising from the decline in the selling price of raw milk, the increase in the number of culled cows and the year-on-year decrease in the estimated local market unit price of 14-month-old heifers during the Reporting Period, which was partially offset by the increase in the price of beef cattle, the increase in milk yield per milkable cow and continuous decline of feed cost.

Other income

Our other income decreased by 21.9% from RMB549 million for the period of 2024 to RMB429 million for the Reporting Period, which was primarily due to the decrease in incentive subsidies and interest income.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, net of reversal increased by 86.5% from RMB24 million for the period of 2024 to RMB46 million for the Reporting Period, which was primarily due to the provisions made for bad debt losses on several customers by the Company as affected by the dairy industry environment.

Impairment loss recognized in respect of property, plant and equipment and right-of-use assets

Our impairment loss recognized in respect of property, plant and equipment and right-of-use assets for the period of 2024 amounted to RMB513 million, and that for the Reporting Period amounted to RMB48 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 such as Northwest China for the period of 2024. 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 recognized impairment losses for the portion of the long-term assets whose recoverable amount was lower than their carrying amount. During the Reporting Period, upon impairment tests, the recoverable amounts of dairy farms' assets with impairment indications were all higher than their carrying amount, resulting in no impairment losses. The impairment losses for the Reporting Period were mainly attributable to the assets that were obsolete, idle, or scheduled for discontinuation of use.

Management Discussion and Analysis

Other gains and losses

Our other gains and losses for the period of 2024 reflected a loss of RMB102 million, and a gain of RMB2 million for the Reporting Period, primarily due to the impairment loss recognized in respect of interests in associates by the Group for the period of 2024. During the Reporting Period, following impairment tests conducted in accordance with relevant accounting standards, the recoverable amount of the interests in associates was higher than the carrying amount, resulting in no impairment losses.

Selling and distribution expenses

Our selling and distribution expenses increased by 0.9% from RMB632 million for the period of 2024 to RMB638 million for the Reporting Period, which was primarily due to the Company's strategic deployment in the beef cattle and mutton sheep feed business in response to market development trends to promote overall business growth, which resulted in an increase in sales personnel and associated marketing expenses, leading to an increase in selling and distribution expenses. During the Reporting Period, the proportion of selling and distribution expenses in our revenue was 3.1%, remaining broadly unchanged from the period of 2024.

Administrative expenses

Our administrative expenses increased by 5.9% from RMB807 million for the period of 2024 to RMB855 million for the Reporting Period, which was primarily due to the increase in total expenses as a result of the increase in personnel. The proportion of administrative expenses in our revenue increased from 4.0% for the period of 2024 to 4.1% for the Reporting Period, primarily due to the growth rate of administrative expenses increasing at a rate higher than that of revenue.

Other expenses

Our other expenses increased by 35.4% from RMB123 million for the period of 2024 to RMB166 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 9.5% from RMB903 million for the period of 2024 to RMB818 million for the Reporting Period, which was primarily due to decreased finance costs as a result of the decline in interest-bearing liabilities and financing rate of the Group.

Loss before tax

As a result of the foregoing, the Group's loss before tax decreased from RMB774 million for the period of 2024 to RMB378 million for the Reporting Period.

Income tax expense

Our income tax expense decreased by 33.8% from RMB87 million for the period of 2024 to RMB58 million for the Reporting Period, primarily due to the decline in profit from our comprehensive ruminant farming solutions business.

Management Discussion and Analysis

Loss for the year

As a result of the foregoing, we generated a loss of RMB861 million for the period of 2024, compared with a loss of RMB435 million for the Reporting Period, representing a year-on-year reduction in loss of 49.5%, 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; (ii) the decrease in impairment losses of property, plant and equipment and right-of-use assets for the Reporting Period; and (iii) the decrease in finance costs.

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 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:

- 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 recognized in respect of property, plant and equipment and right-of-use assets, (iv) loss arising from changes in fair value less costs to sell of biological assets, (v) income tax expense, (vi) finance costs, (vii) interest income, and (viii) depreciation and amortization charged to profit or loss.
- 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.

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

Management Discussion and Analysis

CASH EBITDA

	For the year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Loss for the year	(435,302)	(861,487)
Adjustments:		
Other gains and losses	(1,860)	102,152
Impairment loss recognized in respect of property, plant and equipment and right-of-use assets	48,141	512,850
Impairment losses under the expected credit loss model, net of reversal	45,630	24,473
Losses arising from changes in fair value less costs to sell of biological assets	4,311,969	3,921,360
Adjusted profit for the year	3,968,578	3,699,348
Adjustments:		
Income tax expense	57,567	87,022
Finance costs	817,814	903,487
Interest income	(22,389)	(64,869)
Depreciation and amortization charged to profit or loss	765,459	699,922
Cash EBITDA	5,587,029	5,324,910

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

	For the year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Loss for the year	(435,302)	(861,487)
Adjustments:		
Losses arising from changes in fair value less costs to sell of biological assets	4,311,969	3,921,360
Profit for the year (before biological assets fair value adjustments)	3,876,667	3,059,873

Management Discussion and Analysis

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:

	For the year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Net cash generated from operating activities	5,945,248	5,838,114
Net cash used in investing activities	(4,044,593)	(5,596,889)
Net cash used in financing activities	(1,602,105)	(3,114,935)
Net increase/(decrease) in cash and cash equivalents	298,550	(2,873,710)
Effects of foreign exchange rate changes	(50)	38
Cash and cash equivalents at the beginning of the year	1,614,669	4,488,341
Cash and cash equivalents at the end of the year	1,913,169	1,614,669

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB5,945 million. During the period of 2024, net cash generated from operating activities was RMB5,838 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities was RMB4,045 million, which was mainly attributable to (i) payments for feeding and purchasing biological assets of RMB4,554 million, and (ii) payments for property, plant and equipment of RMB812 million, partially offset by the proceeds from the disposal of biological assets of RMB1,608 million.

In the period of 2024, 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 acquisition 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.

Management Discussion and Analysis

Net Cash Used in Financing Activities

During the Reporting Period, net cash used in financing activities was RMB1,602 million, which was mainly attributable to (i) new bank and other borrowings of RMB29,246 million, and (ii) repayment of principal and interest payments on bank and other borrowings of RMB30,695 million.

In the period of 2024, 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.

Indebtedness

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Bank borrowings		
Unsecured	22,846,002	23,169,645
Secured	382,516	856,388
Other borrowings	183,320	230,369
	23,411,838	24,256,402
The carrying amounts of the above borrowings are repayable:		
Within one year	16,083,449	16,709,437
More than one year but within two years	2,665,276	2,108,005
More than two years but within five years	3,413,413	4,241,060
More than five years	1,249,700	1,197,900
	23,411,838	24,256,402
Less: Amounts due within one year shown under current liabilities	(16,083,449)	(16,709,437)
Amount shown under non-current liabilities	7,328,389	7,546,965
Lease liabilities	2,244,231	2,236,807
Less: Amount due within one year shown under current liabilities	(300,014)	(248,410)
Amount shown under non-current liabilities	1,944,217	1,988,397

Management Discussion and Analysis

Contingent Liabilities

As at December 31, 2025, the Group had no significant contingent liability.

Net Gearing Ratio

As at December 31, 2025, the Group's net gearing ratio was 176.7%, representing a decrease of 8.5 percentage points as compared to 185.2% as at December 31, 2024, mainly due to the decrease in net debt of the Group during the Reporting Period. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, less bank balances and cash, and less pledged and restricted bank deposits, time deposits and deposits placed with a related party under current assets) divided by total equity and multiplied by 100%.

Capital Commitment

As at December 31, 2025, the Group's capital commitment for the acquisition of property, plant and equipment was RMB348 million (as at December 31, 2024: RMB949 million), representing a decrease as compared with the capital commitment of December 31, 2024, 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, 2025, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 60.59% of shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% of shares of Tangshan Youran Dairy Co., Ltd. held by the Group, as well as pledged bank deposits in the carrying amount of RMB35 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 annual report, 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, 2025) during the Reporting Period.

Management Discussion and Analysis

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, as of December 31, 2025, the Group did not have plans for material investments and capital assets.

Material Acquisitions and/or Disposals

Save as disclosed in this annual report, 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, 2025.

Function	Number of Staff	% of Total
Management Personnel	1,361	9.8%
Professional Personnel ^{Note1}	1,474	10.6%
Technicians	3,093	22.3%
Skilled Personnel ^{Note2}	7,417	53.5%
Supporting Personnel ^{Note3}	518	3.7%
Total ^{Note 4}	13,863	100.0%

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.
4. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, the percentage figure shown in total may not be an arithmetic aggregation of the percentage figures preceding them.

Management Discussion and Analysis

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, organizational efficiency and cultural construction. Details of which are set out below:

- i. Talent guarantee: The Group places equal emphasis on internal cultivation and external recruitment. Internally, it improves the training system, implements dynamic talent inventory, and establishes talent pools for key positions. Externally, it deepens collaboration with colleges to expand recruitment channels. Through internal-external synergy, the Group constructs a talent guarantee mechanism covering all levels of positions, achieving efficient and sustainable talent pipeline supply.
- ii. Capacity building: The Group has comprehensively upgraded its “Talent Leader” talent development program, establishing a three-dimensional talent cultivation system integrating management, professionalism and expertise to achieve a closed-loop, full-cycle talent process covering selection, cultivation, deployment, and evaluation. Through diverse development pathways and a five-pronged mechanism, the Group reinforces a “training-through-action” approach and standardizes development process. Additionally, the Group collaborates with global high-quality resources, selecting high-potential talents for advanced studies while integrating cutting-edge technologies and advanced management practices. This initiative fosters a learning organization, ensuring solid talent support for the Company’s strategic execution and core competitiveness enhancement.
- iii. Organizational activation and efficiency enhancement: The Group stimulates organizational vitality through mechanism innovation and management optimization, to improve operational efficiency. During the Reporting Period, the Group implemented “Horse Race” performance competition plan, establishing a three-tier management system, directly linking performance results with recognition rewards, commending outstanding achievers, and setting benchmarks, to ignite employees’ entrepreneurial motivation. Concurrently, the Group implemented a special initiative to enhance organizational efficiency. It optimized organizational structure to clarify roles and responsibilities, adopted advanced technologies, equipment and digital management platforms to boost operational productivity and enable data-driven decision-making, which provides robust support for strategic objectives.
- iv. Cultural construction: The Group guided its development with a vision, and deepened the operation philosophy and code of conduct, through culture communication, system integration, value evaluation and innovative practice, the Group has optimized the culture assessment, enhanced cohesion and influence, and promoted the incorporation of culture into operation and management. During the Reporting Period, the Group adopted a multidimensional approach to assess and understand cultural penetration and alignment, strengthened the cultural dissemination capabilities, upgraded the online learning platform, organized themed activities, and promoted the transformation of culture philosophy to practical action. These efforts provided a robust cultural engine for the Group’s “second venture” initiative.

The Group’s total remuneration expenses, excluding contributions to pension plans, for the Reporting Period were RMB1,721 million, representing an increase of 7.6% as compared to RMB1,599 million for the period of 2024.

Report of Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2025.

DIRECTORS

The Directors who held office during the year ended December 31, 2025 and up to the Latest Practicable Date are:

Executive Directors

Mr. Hao Haijun (郝海軍) (*Chairman and President*)
(appointed as an executive Director, the Chairman and the President on March 28, 2025)
 Mr. Dong Jiping (董計平)
 Ms. Meng Yilan (孟一蘭) (*appointed on March 28, 2025*)
 Mr. Yuan Jun (袁軍)
(resigned as an executive Director, the Chairman and the President on March 28, 2025)

Non-Executive Directors

Mr. Bai Wenzhong (白文忠) (*appointed on June 27, 2025*)
 Ms. Li Lin (李林) (*appointed on June 27, 2025*)
 Mr. Xu, Zhan Kevin (許湛)
 Mr. Qiu Zhongwei (邱中偉) (*resigned on March 28, 2025*)
 Mr. Xu Jun (徐軍) (*resigned on June 27, 2025*)
 Mr. Yang Huicheng (楊慧成) (*resigned on June 27, 2025*)

Independent Non-Executive Directors

Ms. Xie Xiaoyan (謝曉燕)
 Mr. Yao Feng (姚峰)
 Ms. Huang Lin (黃琳) (*appointed on June 27, 2025*)
 Mr. Shen Jianzhong (沈建忠) (*resigned on June 27, 2025*)

Biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 52 to 56 of this annual report.

In accordance with Article 108 of the Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Dong Jiping, an executive Director, and Mr. Yao Feng, an independent non-executive Director, shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM. Pursuant to paragraph 4(2) of Appendix A1 to the Listing Rules and Article 112 of the Articles of Association, any Director so appointed as an addition to the Board or to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Bai Wenzhong and Ms. Li Lin, who were appointed as non-executive Directors on June 27, 2025 and Ms. Huang Lin, who was appointed as an independent non-executive Director on the same date shall retire at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

Report of Directors

CHANGES IN DIRECTOR'S INFORMATION

Changes in Director's information are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Name of Director	Details of Change
Mr. Hao Haijun	Appointed as an executive Director, the Chairman and the President with effect from March 28, 2025.
Ms. Meng Yilan	Appointed as an executive Director with effect from March 28, 2025.
Mr. Bai Wenzhong	Appointed as a non-executive Director with effect from June 27, 2025.
Ms. Li Lin	Appointed as a non-executive Director with effect from June 27, 2025; Ms. Li has been reassigned as a reserve cadre in the president's office of Yili Group with effect from January, 2026.
Ms. Huang Lin	Appointed as an independent non-executive Director with effect from June 27, 2025; Ms. Huang has resigned as an external supervisor of China Coal Insurance Co., Ltd. (中煤財產保險股份有限公司) with effect from September, 2025; Ms. Huang has been newly appointed as an independent non-executive director of Pu'er Lancang Ancient Tea Co., Ltd. (stock code: 6911) with effect from September 2025.
Mr. Yuan Jun	Resigned as an executive Director, the Chairman and the President with effect from March 28, 2025.
Mr. Qiu Zhongwei	Resigned as a non-executive Director with effect from March 28, 2025.
Mr. Xu Jun	Resigned as a non-executive Director with effect from June 27, 2025.
Mr. Yang Huicheng	Resigned as a non-executive Director with effect from June 27, 2025.
Mr. Shen Jianzhong	Resigned as an independent non-executive Director with effect from June 27, 2025.

Save as disclosed above, the Company is not aware of other changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on August 21, 2020 with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on June 18, 2021.

PRINCIPAL ACTIVITIES

Through its two business segments, namely, raw milk and comprehensive ruminant farming solutions, the Group primarily provides premium raw milk to large-scale dairy manufacturers and offers ruminant farming products and services to dairy farms in the PRC. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 of this annual report.

Report of Directors

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "President's Statement" and "Management Discussion and Analysis" of this annual report. Events affecting the Company that have occurred since the end of the financial year are set out in the section headed "Significant Events after the Reporting Period" of this annual report. A review of the major risks faced by the Group, risk management and internal control measures are set out in the section headed "Risk Management and Internal Control" of this annual report. A discussion of the Group's environmental policies and performance is set out in the "Environmental, Social and Governance Report" separately published by the Company in April 2026. An account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company is set out in the sections headed "Relationship with Suppliers", "Relationship with Customers" and "Relationship with Employees" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company has established an ESG Committee to comprehensively assess, manage and improve its environmental, social and governance performance, and make annual disclosure in accordance with compliance requirements and international standards. For details, please refer to the "Environmental, Social and Governance Report" separately published by the Company in April 2026.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2025, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Customers

The customers of the Group mainly include dairy manufacturers and dairy farms. In particular, Yili Group is, and has been, a major customer of the Group, and the Group has established and maintained a long-term and stable strategic cooperation with Yili, which is a controlling shareholder of the Company.

During the Reporting Period, revenue generated from the Group's top five customers was RMB17,182 million (2024: RMB15,979 million), representing 83.2% (2024: 79.5%) of the Group's total revenue. During the same period, the Group generated revenue of RMB15,471 million (2024: RMB14,323 million) from sales of raw milk to Yili Group, our largest customer, representing 96.6% (2024: 94.8%) of the Group's total raw milk revenue during the Reporting Period.

Report of Directors

As at the Latest Practicable Date, Yili was the controlling shareholder of the Company. As of December 31, 2025, Mr. Bai Wenzhong, a non-executive Director, held 0.003% of the total number of issued shares of Yili. Save for the aforementioned, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued capital, had any interest in top five customers during the Reporting Period.

As disclosed on page 297 of the Prospectus, in respect of the comprehensive ruminant farming solutions business segment of the Group, a number of customers who make purchases from the Group are also raw milk suppliers of Yili Group (the “**Overlapping Parties**”). Since 2013, the Group, Yili Group and the Overlapping Parties have been entering into certain entrusted payment arrangements, pursuant to which the Overlapping Parties would generally enter into a tripartite withholding agreement with Yili Group and the Group and entrust Yili Group to pay to the Group the amount payable by such Overlapping Parties to the Group, after which Yili Group shall deduct the relevant amount from the balance of the amount owed by Yili Group to such Overlapping Parties. During the Reporting Period, the revenue contribution from the Overlapping Parties as at December 31, 2025 to the Group’s total revenue amounted to approximately 1.9%. Further details of the Overlapping Parties and the Group’s arrangements with the Overlapping Parties are set out in the Prospectus.

Suppliers

The Group’s suppliers primarily include suppliers of feed ingredients and forage grass, ruminant farming products and farm construction services and equipment. The purchases from the Group’s top five suppliers accounted for less than 30% of the total purchases of the Group during the Reporting Period.

RELATIONSHIP WITH CUSTOMERS

The Group is committed to providing premium raw milk and comprehensive ruminant farming solutions to its customers. To achieve the Group’s strategic goals and to consolidate the Group’s long-term advantages of “the most comprehensive upstream dairy industry chain, the largest scale, the best structure and layout, and efficient operation”, the Group will aim to continuously improve its products and services, and to provide our customers with timely, convenient and diversified premium products, solutions and services to better satisfy customers’ needs, and empower the revitalisation of China’s dairy industry.

RELATIONSHIP WITH SUPPLIERS

The Group has implemented strict procurement policies for selecting and managing cooperative suppliers to ensure safe, reliable and high-quality supplies. The Group evaluates suppliers based on their market reputation and ranking, industry experience, quality control system, and source control measures, and conducts thorough sample tests or on-site inspections on feed ingredients and forage grass suppliers to ensure that suppliers and their products meet the quality standards of the Group. The Group also enhances the capability of its suppliers through various means to achieve the long-term stable cooperation between the Group and its suppliers. In addition, the Group actively explores value-added business opportunities with strategic partners, enhances its relationships with suppliers to create a “sustainable win-win ecosystem”.

Report of Directors

RELATIONSHIP WITH EMPLOYEES

The Group always adheres to the people-oriented concept, strictly complies with the requirements of national laws and regulations, formulates sound internal management systems and procedures, and actively safeguards the rights and interests of employees in employment and recruitment, remuneration and welfare, working hours and holidays, etc. The Group supports and respects human rights principles and rights that are internationally recognised, such as the International Bill of Human Rights, the International Labour Conventions, the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation and the Guiding Principles on Business and Human Rights. We also formulated and made public the Human Rights Policy, committing to adhering to the United Nations' sustainable development goals in our business operation. Both the starting point and the immutable goal of our human rights development is to safeguard the employees' interest, with an aim to promote the openness, inclusiveness and prosperity of the value chain. The Group conducts business operations with integrity, openness and respect for human rights to contribute to the realization of the United Nations' sustainable development goals and to avoid infringing on other persons' human rights. We place a high premium on production safety and occupational health of employees, and actively establish sound production safety and occupational health management systems, striving to create a safe and healthy working environment for employees. Meanwhile, we attach great importance to the cultivation of talents, and continuously improve the employee training system, to promote the mutual growth and long-term development of employees and the Company. Moreover, to practice our caring for employees, the Group also sets specific work priorities in employee care, featured activities, democratic communications and other work and improves its labour union management platform, faithfully caring for employees. For the details of the relationship between the Group and its employees, please refer to the sections headed "Employees and Remuneration Policy", "Board Diversity" and "Diversity of Employees" of this annual report.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 184 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 50 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 17 to the consolidated financial statements.

Report of Directors

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 39 to the consolidated financial statements.

DONATION

During the Reporting Period, the Group made charitable donations of approximately RMB0.7 million (2024: RMB0.4 million).

DEBENTURE ISSUED

The Group did not issue any debenture during the Reporting Period.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2025. There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the Reporting Period. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay a dividend out of either profits or share premium, provided that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

As at December 31, 2025, the Company had distributable reserves of RMB4,543 million (as at December 31, 2024: RMB4,950 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2025 are set out in the consolidated statement of changes in equity on page 83 and in Note 51 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2025 are set out in Note 35 to the consolidated financial statements.

Report of Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company. The initial term of their respective service contracts shall commence from the date of their appointments until terminated in accordance with the terms and conditions of the service contracts or by either party giving to the other not less than three months' prior notice.

Each of the non-executive Directors has entered into a service contract and each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their respective service contracts or appointment letters shall commence from the date of their appointments for a period of three years until terminated in accordance with the terms and conditions of the service contracts or appointment letters or by either party giving to the other not less than one month's prior notice in writing.

All the Directors' contracts shall be automatically renewed upon expiration of three years from the date of their appointments in accordance with the terms of their respective contracts. The above appointments are always subject to the provisions of retirement and re-election of Directors under the Articles of Association.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except the continuing connected transactions disclosed in this annual report and the connected transaction contemplated under the Research Center Sale and Purchase Agreement, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDER

As at the Latest Practicable Date, Yili (details of which are set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" of this annual report) was the controlling shareholder of the Company. Save as the agreements pertaining to the relevant continuing connected transactions and the Research Center Sale and Purchase Agreement disclosed in this annual report, to the best knowledge and belief of our Directors, there was no (i) contract of significance between the Group and any of the Company's controlling shareholders or their subsidiaries or (ii) contract of significance for the provision of services to the Group by any of the Company's controlling shareholders or their subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Report of Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2025, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2025, so far as is known to any Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Percentage of issued share capital (%) ⁽²⁾
Yili ⁽³⁾	Interest in controlled corporations	1,320,800,000(L)	33.93
Boyuan Investment Holding Limited (博源投資控股有限公司) ⁽³⁾	Beneficial interest	800,000,000(L)	20.55
Jingang ⁽³⁾	Beneficial interest	520,800,000(L)	13.38
PAG ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
Pacific Alliance Group Limited ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
Shan Weijian ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
PAG Capital Limited ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
PAG Dairy GP I Limited ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
PAG Dairy I LP ⁽⁴⁾	Interest in controlled corporations	730,102,530(L)	18.76
PAG II ⁽⁴⁾	Beneficial interest	730,102,530(L)	18.76
Zhuhai Zhongxin Enterprise Management Partnership (Limited Partnership) (珠海眾心企業管理合夥企業 (有限合夥)) ⁽⁵⁾	Interest in controlled corporations	472,482,819(L)	12.14
Pasture Holding Limited ⁽⁵⁾	Interest in controlled corporations	472,482,819(L)	12.14
Hao Meirong ⁽⁵⁾	Interest in controlled corporations	472,482,819(L)	12.14
Cloud Up Development Company Limited ⁽⁵⁾	Interest in controlled corporations	472,482,819(L)	12.14
Meadowland Investment Limited Partnership ⁽⁵⁾	Beneficial interest	472,482,819(L)	12.14

Report of Directors

Notes:

1. The letter "L" denotes the Shareholder's long position in such Shares.
2. The percentages are calculated on the basis of 3,892,727,833 Shares in issue as at December 31, 2025.
3. Boyuan Investment Holding Limited (formerly known as "China Youran Dairy Holding Limited") directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of Boyuan Investment Holding Limited and Jingang is a wholly-owned subsidiary of Yili. Accordingly, Yili was deemed to be interested in an aggregate of 1,320,800,000 Shares.
4. PAGAC Yogurt Holding II Limited ("**PAG II**") directly held 730,102,530 Shares in the long position. PAG II was a wholly-owned subsidiary of PAG Dairy I LP, a fund managed by PAG Capital Limited, and the general partner of PAG Dairy I LP is PAG Dairy GP I Limited. Accordingly, PAG Dairy I LP and PAG Dairy GP I Limited were deemed to be interested in 730,102,530 Shares in the long position held by PAG II. PAG Capital Limited is wholly controlled by Pacific Alliance Group Limited and Pacific Alliance Group Limited is wholly controlled by PAG. PAG is controlled as to 34.93% by Mr. Shan Weijian. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in 730,102,530 Shares in the long position held by PAG II.
5. Meadowland Investment Limited Partnership ("**Meadowland**") is an exempted limited partnership established under the laws of the Cayman Islands, which directly held 472,482,819 Shares. Cloud Up Development Company Limited ("**Cloud Up**") is the general partner of Meadowland. Cloud Up is wholly-owned by Ms. Hao Meirong (郝美蓉). Accordingly, Cloud Up and Ms. Hao Meirong (郝美蓉) were deemed to be interested in 472,482,819 Shares in the long position held by Meadowland. Meanwhile, Pasture Holding Limited ("**Pasture**") is the limited partner of Meadowland and controls 100% of Meadowland. Pasture is controlled as to 45.80% by Zhuhai Zhongxin Enterprise Management Partnership (Limited Partnership) (珠海眾心企業管理合夥企業(有限合伙)) ("**Zhuhai Zhongxin**"). Accordingly, Pasture and Zhuhai Zhongxin were deemed to be interested in 472,482,819 Shares in the long position held by Meadowland.

Save as disclosed above, as at December 31, 2025, so far as the Directors are aware, no other parties had an interest or short position in the Shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to, among others, formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 14 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

During the Reporting Period, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances, and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors was approximately RMB5.8 million (as set out in Note 14 to the consolidated financial statements).

Report of Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of our Directors controlled a business similar to the principal business of the Group that competes or is likely to compete, either directly or indirectly, with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Set out below is a table in relation to the continuing connected transactions conducted by the Group during the Reporting Period and required under the Listing Rules to be disclosed in this annual report and consolidated financial statements of the Company.

Continuing Connected Transactions	Proposed Annual Cap/Maximum Amount of Daily Deposit Balance in 2025 (RMB million)	Actual Transaction Amount/Actual Maximum Amount of Daily Deposit Balance Amount in 2025 (RMB million)
<i>Partially-exempt continuing connected transactions</i>		
Dairy Products Purchase Framework Agreement		
Purchase of dairy products from Yili Group	139	55.2
Shared Financial Services Framework Agreement		
Provision of accounting related shared financial services by Yili to the Group	13	9.9
Purchase and Sale Framework Agreement		
Provision of comprehensive ruminant farming solutions products and services to YouYuan Farm	230	147.3
Logistics and Operation Support Services Framework Agreement		
Provision of logistics and operation support services by Yishun Group to the Group	250	112.6
<i>Non-exempt continuing connected transactions</i>		
Raw Milk Purchase and Sale Framework Agreement		
Sale of raw milk to Yili Group	22,400	15,471.3
Financial Services Framework Agreement		
Provision of deposit services by Yili Finance Company to the Group	2,500	1,608.5

Report of Directors

1. Dairy Products Purchase Framework Agreement

On April 24, 2023, the Company entered into the Dairy Products Purchase Framework Agreement with Yili, pursuant to which Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term of three years commencing from January 1, 2024 to December 31, 2026. On April 13, 2026, the Company further renewed the Dairy Products Purchase Framework Agreement with Yili, pursuant to which Yili Group agreed to supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term of three years commencing from January 1, 2027 to December 31, 2029. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company under the Listing Rules. The renewal of the Dairy Products Purchase Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Dairy Products Purchase Framework Agreement and its renewal are set out in the announcements of the Company dated April 24, 2023 and April 13, 2026.

2. Shared Financial Services Framework Agreement

On November 28, 2022, the Company entered into the Shared Financial Services Framework Agreement with Yili, pursuant to which Yili shall provide accounting related shared financial services to the Group for a term of three years commencing from January 1, 2023 to December 31, 2025. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. The Shared Financial Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On March 28, 2025, the Company renewed the Shared Financial Services Framework Agreement with Yili, pursuant to which Yili shall provide accounting related shared financial services to the Group for a term of three years commencing from January 1, 2026 to December 31, 2028. The renewal of the Shared Financial Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Shared Financial Services Framework Agreement and its renewal are set out in the announcements of the Company dated November 28, 2022 and March 28, 2025.

Report of Directors

3. Purchase and Sale Framework Agreement

On November 28, 2022, the Company entered into the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm will purchase comprehensive ruminant farming solutions products and services from the Group for a term of three years commencing from January 1, 2023 to December 31, 2025. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. YouYuan Farm is a non wholly-owned subsidiary of Yili and therefore also a connected person of the Company. The Purchase and Sale Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

On March 28, 2025, the Group renewed the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm will purchase comprehensive ruminant farming solutions products and services from the Group for a term of three years commencing from January 1, 2026 to December 31, 2028. The renewal of the Purchase and Sale Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Purchase and Sale Framework Agreement and its renewal are set out in the announcements of the Company dated November 28, 2022 and March 28, 2025.

4. Logistics and Operation Support Services Framework Agreement

On August 22, 2025, the Company entered into the Logistics and Operation Support Services Framework Agreement with Yishun, pursuant to which Yishun Group shall provide logistics and operation support services to the Group for a term commencing from August 22, 2025 to December 31, 2027. Yili is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. As Yishun is a wholly-owned subsidiary of Yili, and therefore is a connected person of the Company. The Logistics and Operation Support Services Framework Agreement is exempt from the independent Shareholders' approval requirement, but is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Further details of the Logistics and Operation Support Services Framework Agreement are set out in the announcement of the Company dated August 22, 2025.

5. Raw Milk Purchase and Sale Framework Agreement

On April 24, 2023, the Company entered into the Raw Milk Purchase and Sale Framework Agreement with Yili, pursuant to which the Group agreed to supply raw milk to Yili Group for a term of three years commencing from January 1, 2024 to December 31, 2026. On April 13, 2026, the Company further renewed the Raw Milk Purchase and Sale Framework Agreement with Yili, pursuant to which the Group agreed to supply raw milk to Yili Group for a term of three years commencing from January 1, 2027 to December 31, 2029. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company under the Listing Rules. The renewal of the Raw Milk Purchase and Sale Framework Agreement is subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the Raw Milk Purchase and Sale Framework Agreement and its renewal are set out in the announcements of the Company dated April 24, 2023, May 17, 2023 and April 13, 2026 and circular of the Company dated April 25, 2023.

Report of Directors

6. Financial Services Framework Agreement (as amended by the Supplemental Financial Services Framework Agreement)

On April 24, 2023, the Company entered into the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including the deposit services, settlement services (including collection, payment or internal settlement services and other settlement services approved by the National Financial Regulatory Administration or other applicable regulatory authorities), and other financial services (including financial and financing consulting services, credit certification and related consulting and agency services, and other services approved by the National Financial Regulatory Administration or other applicable regulatory authorities) for a term of three years commencing from January 1, 2024 to December 31, 2026. On April 13, 2026, the Company further renewed the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company agreed to provide a range of financial services to the Group, including the deposit services, settlement services and other financial services for a term of three years commencing from January 1, 2027 to December 31, 2029. As Yili is a controlling shareholder of the Company, Yili and its associates are connected persons of the Company under the Listing Rules. As Yili Finance Company is a subsidiary of Yili, Yili Finance Company is an associate of Yili and accordingly a connected person of the Company under the Listing Rules. While the renewal of the deposit services under the Financial Services Framework Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, the settlement services and the other financial services under the Financial Services Framework Agreement are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On August 22, 2025, the Company entered into the Supplemental Financial Services Framework Agreement with Yili Finance Company to supplement the Financial Services Framework Agreement dated April 24, 2023 above, pursuant to which the Company and Yili Finance Company agreed that: (i) for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,500.0 million; and (ii) for the period from January 1, 2026 to December 31, 2026, the maximum daily balance of deposits (including the interest accrued thereon) shall be increased from RMB1,500.0 million to RMB2,750.0 million. The entering into of the Supplemental Financial Services Framework Agreement is subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the Financial Services Framework Agreement and its renewal and the Supplemental Financial Services Framework Agreement are set out in the announcements of the Company dated April 24, 2023, May 17, 2023, August 22, 2025, September 26, 2025 and April 13, 2026 and circulars of the Company dated April 25, 2023 and September 8, 2025.

Report of Directors

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

All the above continuing connected transactions during the Reporting Period have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that each of the continuing connected transactions has been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

CONFIRMATIONS FROM THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the Auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions conducted during the Reporting Period: (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board; (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A summary of all significant transactions with related parties (the "Related Party Transactions") entered into by the Group during the Reporting Period is contained in Note 45 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out above which are disclosed pursuant to the Listing Rules, none of the Related Party Transactions disclosed in Note 45 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

The Company has complied with the requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions conducted by the Group during the Reporting Period.

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

During the Reporting Period, none of the Company or 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, 2025, the Company did not hold any treasury shares.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

Report of Directors

PUBLIC FLOAT

As disclosed in the Prospectus, the Stock Exchange has granted the Company a waiver (the “**Waiver**”) from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, which requires that at least 25% of an issuer’s total issued share capital must be held at all times by the public. Pursuant to the Waiver, the Company’s minimum public float shall be 18.85% of the Company’s total issued share capital.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the Latest Practicable Date, the Company had maintained the aforementioned prescribed percentage of minimum public float under the Waiver. For further information on the Waiver, please refer to pages 101 and 102 of the Prospectus and the company information sheet of the Company dated March 30, 2022.

AUDITOR

The consolidated financial statements of the Group have been audited by Deloitte Touche Tohmatsu, Registered Public Interest Entity Auditors, who will retire and, being eligible, offer themselves for reappointment at the AGM.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Placing and top-up subscription under general mandate and subscription under specific mandate

On January 16, 2026, the Company, Boyuan Investment Holding Limited (“**Boyuan**”, as the seller) and J. P. Morgan Securities (Asia Pacific) Limited and CLSA Limited (as the placing agents) have entered into a placing and subscription agreement. On January 20, 2026, the placing agents have successfully placed an aggregate of 299,250,000 placing Shares to not less than six placees on a best effort basis at the placing price of HK\$3.92 per placing Share. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the placees and the ultimate beneficial owners are independent third parties. None of the placees has become a substantial shareholder of the Company immediately after completion of the placing. Also, on January 26, 2026, the Company allotted and issued 299,250,000 top-up subscription Shares to Boyuan at HK\$3.92 per Share. The net proceeds from the top-up subscription, after deducting all relevant fees, costs and expenses (including but not limited to legal expenses and disbursements) incidental to the placing and the top-up subscription, amounted to approximately HK\$1,158.6 million.

In addition, on January 16, 2026, the Company and Boyuan have entered into a specific mandate subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for 299,250,000 specific mandate subscription Shares at HK\$3.92 per Share. Completion of the issuance of the specific mandate subscription Shares is subject to, among other things, the whitewash waiver being granted by the Securities and Futures Commission of Hong Kong and approved by the independent Shareholders. As at the Latest Practicable Date, completion of the specific mandate subscription has not taken place. Upon completion of the placing, the top-up subscription and the specific mandate subscription, the net proceeds will be applied to the following matters: (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency; (ii) approximately 55% for repaying interest-bearing debt and optimizing capital structure to provide flexibility for potential acquisitions or investment opportunities; and (iii) approximately 10% for replenishing working capital and for general corporate purposes. For details of the above transactions, please refer to the announcements of the Company dated January 16, 2026, January 26, 2026, February 6, 2026, March 6, 2026 and April 2, 2026.

Report of Directors

Change of functional currency

After the Reporting Period, as the Company ceased its trading operations and transitioned to a primarily financing-based structure, the functional currency of the Company was changed from USD to RMB. Given that all existing USD borrowings have been fully replaced with RMB borrowings in January 2026, and the majority of cash balances of the Company will be held in RMB, the Directors considered that RMB better reflects the economic substance of the Company. Accordingly, the functional currency of the Company has been changed prospectively since January 1, 2026.

Continuing connected transactions

On March 27, 2026, the Company entered into the Dairy Cows Procurement Framework Agreement with YouYuan Farm, pursuant to which the Group agreed to procure dairy cows from YouYuan Farm from April 1, 2026 to March 31, 2027. Further details of the agreement are set out in the announcement of the Company dated March 27, 2026.

On April 13, 2026, the Company renewed the Dairy Products Purchase Framework Agreement with Yili, the Raw Milk Purchase and Sale Framework Agreement with Yili and the Financial Services Framework Agreement with Yili Finance Company and the term of each of the aforementioned agreements will commence from January 1, 2027 to December 31, 2029. The renewal of the Raw Milk Purchase and Sale Framework Agreement and the Financial Services Framework Agreement shall be subject to the independent Shareholders' approval at the AGM. Further details of the aforementioned agreements are set out in the announcement of the Company dated April 13, 2026.

Save as disclosed in this annual report, there are no other significant events that might affect the Group since December 31, 2025 and up to the Latest Practicable Date.

By the order of the Board

Mr. Hao Haijun

Chairman and Executive Director

Hohhot, the PRC

March 27, 2026

Biographical Details of Directors and Senior Management

The Board consists of three executive Directors, three non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Hao Haijun (郝海軍), aged 45, joined the Group since November 2024 and was appointed as the executive deputy general manager of Inner Mongolia Youran. On March 28, 2025, he was appointed as an executive Director, the Chairman and the President. Mr. Hao is primarily responsible for the strategic planning, Board management and overall operational management of the Group.

Mr. Hao graduated from Inner Mongolia Building Material Industry School (內蒙古建材工業學校, now known as Inner Mongolia Vocational College of Chemical Engineering) in 1999, and graduated from China Central Radio and TV University (中央廣播電視大學) in 2009, majoring in administrative management. Mr. Hao joined Yili Group in March 2000. He served as the general manager of a number of subsidiaries of Yili Group, the deputy director of procurement of the supply and security department (供應保障部) of Yili Group, and the head of the production management department (生產管理部), the head of the logistics management department (物流管理部) and the head of production system of the liquid milk division (液態奶事業部) of Yili Group. Mr. Hao has been deeply involved in the dairy industry for over 25 years, accumulating extensive expertise in key areas such as operation management, lean production, and supply chain management.

Mr. Hao was also appointed as the chairman of the board and general manager of Inner Mongolia Youran on March 28, 2025, and was appointed as the chairman of SKX on April 23, 2025.

Mr. Dong Jiping (董計平), aged 45, joined our Group since November 2015, and was appointed as a Director on August 24, 2020 and redesignated as an executive Director and appointed as vice president on November 15, 2020. Mr. Dong is primarily responsible for the management of our Group's legal compliance and external relations.

Mr. Dong graduated from Northeast Forestry University (東北林業大學) in July 2004 and obtained his bachelor's degree in biotechnology. Mr. Dong joined Yili Group in July 2004. He worked as the purchaser of the liquid milk division (液態奶事業部) of Yili Group, the secretary in the president's office and the planning director (企劃總監) of strategic management department of Yili Group. Subsequently, he has been the deputy general manager of Inner Mongolia Youran since November 2015. Mr. Dong has over 21 years of extensive experience in the dairy industry.

Mr. Dong is also a director of Inner Mongolia Youran, and a director of a number of subsidiaries of the Company.

Ms. Meng Yilan (孟一蘭), aged 38, was appointed as an executive Director on March 28, 2025. Ms. Meng is primarily responsible for the Group's digital transformation, digital technology and network information security management.

Ms. Meng graduated from Inner Mongolia Normal University in July 2011 with a bachelor's degree in electronic information science and technology and obtained the qualification of certified information security professional (CISP) in July 2021 issued by China Information Technology Security Evaluation Center (中國信息安全測評中心). Ms. Meng joined Yili Group in May 2011 and served as an IT (information technology) asset manager and a system management engineer. Subsequently, Ms. Meng joined the Group in August 2016 and served as system engineer, information manager, IT manager and system application manager. In April 2022, she was promoted to the deputy director of information of the Group. Ms. Meng has over 14 years of rich experience in the information security and information technology industry.

Biographical Details of Directors and Senior Management

Non-Executive Directors

Mr. Bai Wenzhong (白文忠), aged 55, was appointed as a non-executive Director on June 27, 2025. Mr. Bai is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Bai graduated from Inner Mongolia Finance and Economics School (內蒙古財政學校) in June 1991, and graduated from Inner Mongolia College of Finance and Economics (內蒙古財經學院, now known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in April 1997 majoring in accounting. Subsequently, he obtained the Chinese certified public accountant qualification in April 2001, the senior accountant professional qualification in June 2007, and became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2019.

Mr. Bai joined Yili Group in September 2009 where he served as the accounting director of the financial management department (財務管理部) of Yili Group, and since October 2017, he has served as the director of the financial shared service center (財務共享服務中心) of Yili Group. Before joining Yili Group, Mr. Bai held positions in Inner Mongolia Wulashan Fuxing Fertilizer Co., Ltd. (內蒙古烏拉山富興化肥有限責任公司) and Beijing BDO China Shu Lun Pan CPAs (北京立信會計師事務所), serving as the head of the financial department and the manager of the audit department, respectively. Mr. Bai possesses extensive expertise in financial management, internal control and risk management, as well as extensive experience in the dairy industry.

Mr. Bai also serves as a director of Inner Mongolia Youran.

Ms. Li Lin (李林), aged 39, was appointed as a non-executive Director on June 27, 2025. Ms. Li is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Ms. Li graduated from Inner Mongolia College of Finance and Economics (內蒙古財經學院, now known as Inner Mongolia University of Finance and Economics (內蒙古財經大學)) in July 2010 with double degrees in economics and accounting. She obtained the intermediate accountant professional qualification in September 2019, and the certified management accountant (CMA) qualification in October 2021.

Ms. Li joined Yili Group in July 2010, and served as the head of finance of a subsidiary under the liquid milk division (液態奶事業部), the manager in asset management and the manager in budget management of the finance department at the liquid milk division (液態奶事業部) of Yili Group. Subsequently, she was promoted to the deputy budget analysis director of the financial management department of Yili Group, and reassigned as the deputy director (marketing) of the finance department at the liquid milk division (液態奶事業部). From February 2025 to January 2026, she served as a reserve cadre of the general manager's office at the liquid milk division (液態奶事業部) of Yili Group. Since January 2026, she has served as a reserve cadre of the president's office of Yili Group. Ms. Li possesses extensive expertise in financial management, as well as extensive experience in the dairy industry.

Ms. Li also serves as a director of Inner Mongolia Youran.

Mr. Xu, Zhan Kevin (許湛), aged 44, was appointed as a Director on August 24, 2020 and redesignated as a non-executive Director on November 15, 2020. Mr. Xu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Biographical Details of Directors and Senior Management

Mr. Xu served at Morgan Stanley Asia Limited from January 2006 to August 2007. He served as an associate at TPG Capital Limited from August 2007 to June 2009, a senior associate at Apax Partners Hong Kong Limited from November 2009 to August 2011, and a managing director at PAG Asia Capital since September 2011. Mr. Xu also served as a non-executive director of Alphamab Oncology (康寧傑瑞生物製藥), a company listed on the Stock Exchange (stock code: 9966) from November 2018 to June 2023.

Mr. Xu is also a director of Inner Mongolia Youran.

Mr. Xu obtained his bachelor's degree in electronic engineering from Zhejiang University (浙江大學) in June 2003 and his master's degree of management science and engineering from Stanford University in January 2006.

Independent Non-Executive Directors

Ms. Xie Xiaoyan (謝曉燕), aged 55, has been an independent non-executive Director since June 7, 2021. Ms. Xie is primarily responsible for supervising and providing independent judgment to our Board. Ms. Xie has extensive experience in internal control, risk management and finance.

Ms. Xie worked at Inner Mongolia Dahua Certified Public Accountant (內蒙古大華會計師事務所, previously known as Inner Mongolia Certified Public Accountant (內蒙古會計師事務所)) as auditor, project manager, principal accountant and senior accounting manager from January 1997 to July 2006. Ms. Xie has been working at Inner Mongolia University of Technology (內蒙古工業大學) responsible for the teaching and research works for undergraduate and graduate students since August 2006 and is currently a professor of the Department of Accounting of School of Economic and Management of Inner Mongolia University of Technology (內蒙古工業大學).

Ms. Xie served as an independent director of Inner Mongolia Junzheng Energy & Chemical Group Co. Ltd. (內蒙古君正能源化工集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601216)) from June 2014 to June 2020 and an independent director of Inner Mongolia Jinyu Group Co., Ltd. (內蒙古金宇集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600201)) from May 2007 to May 2013. She has also served as an independent director of Inner Mongolia Datang Pharmaceutical Co. (內蒙古大唐藥業股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 836433)) from April 2020 to August 2024, and Jinhe Biotechnology CO., LTD. (金河生物科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002688)) since April 2020.

Ms. Xie is a national advanced accountant (全國先進會計工作者), and obtained the Second Prize of Government Award for Outstanding Achievements in Philosophy and Social Sciences (哲學社會科學優秀成果政府獎二等獎) presented by the government of Inner Mongolia Autonomous Region. Ms. Xie is currently a Chinese certified public accountant, certified tax agent, senior accountant and qualified with a certificate of independent directorship.

Ms. Xie graduated from the University of Inner Mongolia (內蒙古大學) in 2003, and obtained a master degree in political economics from the Normal University of Inner Mongolia (內蒙古師範大學) in 2006 and a doctor degree of agricultural economic management from the Agricultural University of Inner Mongolia (內蒙古農業大學) in 2010.

Biographical Details of Directors and Senior Management

Mr. Yao Feng (姚峰), aged 65, has been an independent non-executive Director since June 7, 2021. Mr. Yao is primarily responsible for supervising and providing independent judgment to our Board. Mr. Yao has extensive experience in public finance, securities regulation, corporate governance of listed companies and risk management.

Mr. Yao held the position of deputy director at the integrated planning department of the Ministry of Finance of the PRC, a vice president of the securities department and general manager of enterprise management department of China Economic Development Trust & Investment Corporation (中國經濟開發信託投資公司) from March 1993 to April 1997, a vice president of the financial and securities department of China National Travel Service (HK) Group Corporation (香港中旅(集團)有限公司) from April 1997 to July 1998, and a vice general manager of China Travel Financial Investment Holdings Co., Limited (香港中旅金融投資有限公司) from July 1998 to June 1999.

Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013, including the director of institution regulatory department, a party committee member and deputy officer of Guangzhou Securities Regulatory Office, a party committee member and deputy director of Guangzhou Regulatory Bureau, a deputy officer of the risk management office for securities companies, and an inspector and deputy officer of the accounting department from January 2001 to September 2011, and a commissioner of Shanghai Supervision Office of the Commissioner from September 2011 to May 2013. Mr. Yao successively served in China Association of Public Companies (中國上市公司協會) from May 2013 to April 2016 as the secretary of the party committee, the executive vice-chairman and legal representative. Mr. Yao served as the vice-chairman and legal representative of China Association of Public Companies from April 2016 to April 2017. Mr. Yao served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019. Mr. Yao served as the deputy secretary of the party committee and the head of supervisors of China Association of Public Companies from June 2019 to September 2019. Mr. Yao has served as an independent non-executive director of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (a company listed on the Stock Exchange (stock code: 1905)) from March 2020.

Mr. Yao was a member of the first session of self-regulatory committee of the Shenzhen Stock Exchange from December 2014 to December 2017 and an adjunct professor of China University of Political Science and Law (中國政法大學) from June 2015 to June 2018.

Mr. Yao obtained a bachelor's degree in national economic planning from Hubei Institute of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1983 and a masters' degree in economics from Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law) in June 1997.

Biographical Details of Directors and Senior Management

Ms. Huang Lin (黃琳), aged 60, was appointed as an independent non-executive Director on June 27, 2025. Ms. Huang is primarily responsible for overseeing and providing independent judgment to the Board. Ms. Huang has a strong academic background in economics and macroeconomic research capability, as well as extensive experience in the operation of financial and securities industry and corporate management.

Ms. Huang obtained a bachelor's degree and a master's degree in economics from Peking University in July 1987 and July 1993, respectively, and a doctorate degree in economics from Renmin University of China in July 2009. Ms. Huang possesses the professional qualification as senior economist.

Ms. Huang was the head of the research and development department in Beijing representative office of Changjiang Securities Company Limited from March 2001 to April 2003. From April 2003 to June 2006, she was the assistant general manager of the Beijing business department and the deputy general manager of the Beijing operation department of Soochow Securities Co., Ltd.. From June 2006 to November 2021, Ms. Huang held various positions including the deputy director of the institute, chief macro strategist, director of the institute and senior economist of Soochow Securities Institute.

Ms. Huang is currently the deputy director of the Economic Committee of the Beijing Municipal Committee of China National Democratic Construction Association (中國民主建國會北京市委經濟委員會), an off-campus master's student supervisor for the Department of Finance at the School of Economics of Peking University, and a part-time on-campus master's student supervisor of the School of Economics of Minzu University of China. Since June 2021, Ms. Huang has been an independent director of Zhongrong International Trust Co. Ltd. She has been an external supervisor of China Coal Insurance Co., Ltd. (中煤財產保險股份有限公司) from January 2023 to September 2025. Since December 2023, she has been an independent director of Southwest Securities Co., Ltd. (西南證券股份有限公司) (stock code: 600369. SH). Since September 2025, she has been an independent non-executive director of Pu'er Lancang Ancient Tea Co., Ltd. (a company listed on the Stock Exchange (stock code: 6911)).

SENIOR MANAGEMENT

Mr. Hao Haijun (郝海軍), aged 45, is the executive Director, the Chairman and the President. Please see above for further details.

Mr. Dong Jiping (董計平), aged 45, is the executive Director and vice president of our Company. Please see above for further details.

Mr. Jiang Guangjun (姜廣軍), aged 52, joined our Group in December 2019, and was appointed as the vice president of our Company on November 15, 2020. Mr. Jiang has over 27 years of experience in the dairy industry and is primarily responsible for the Group's quality, safety and environmental, supply security and other management work.

Mr. Jiang obtained his bachelor of engineering degree, majoring in food science and engineering from Inner Mongolia Agriculture University (內蒙古農業大學) in July 1998. He joined Yili Group in July 1998. He worked as the general manager of a number of subsidiaries of Yili Group, the supply director and deputy general manager of the liquid milk division (液態奶事業部) of Yili Group.

Mr. Jiang is the deputy general manager of Inner Mongolia Youran since December 2019, and he has been a director of SKX since September 2020, and he has also been a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Pang Xin (龐鑫), aged 50, joined our Group in August 2025 and was appointed as a vice president of our Company on March 27, 2026. Mr. Pang has over 25 years of experience in the dairy industry, and is primarily responsible for overseeing and managing the overall operations of our Group's dairy farms.

Biographical Details of Directors and Senior Management

Mr. Pang graduated from Inner Mongolia Agricultural University in July 2001, majoring in animal science. He joined Yili Group in February 2001. He worked as a technical supervisor, a milk source supervisor, a branch manager, the deputy general manager of the central and southern region for raw milk, and the director of inspection of the milk source inspection department of the raw milk division (原奶事業部), and the director of inspection of the milk source inspection department, the general manager of the Inner Mongolia Region, and the general manager of Inner Mongolia milk source region of the liquid milk division (液態奶事業部) of Yili Group. From October 2020 to August 2025, he served as the general manager of YouYuan Farm.

Mr. Pang has been a deputy general manager of Inner Mongolia Youran since August 2025 and is in charge of the livestock business. Mr. Pang is also a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Zhuang Yanxiao (莊燕曉), aged 42, joined our Group in 2023 and was appointed as a vice president of our Company on March 27, 2024. Mr. Zhuang has over 20 years of experience in the dairy industry, and is responsible for overseeing and managing the overall operation of our Group's feed business.

Mr. Zhuang graduated from Jilin Agricultural Science and Technology University (吉林農業科技學院) (formerly known as Jilin Specialized College (吉林特產高等專科學校)) in July 2005, majoring in food science and engineering. He joined Yili Group in February 2006. He worked as the regional manager of raw milk, the quality manager of milk source region and the regional manager of raw milk of Yili Group, the deputy director and director of inspection of the liquid milk source inspection department and the general manager of Mengjin milk source region of Yili Group's liquid milk division (液態奶事業部).

Mr. Zhuang has been a deputy general manager of Inner Mongolia Youran since December 2023 and is in charge of the feed business. Mr. Zhuang is also a director of a number of subsidiaries of Inner Mongolia Youran.

Mr. Lv Xiongyu (呂雄宇), aged 54, joined our Group since January 2022 and was appointed as the vice president of our Company and the secretary to the Board on March 30, 2022. Mr. Lv has more than 23 years of experience in the dairy industry, and is primarily responsible for the work related to the Board office of our Group while in charge of investor affairs and financial management.

Mr. Lv graduated from Inner Mongolia Forestry College in July 1994, majoring in forestry economics and management. He was qualified as an intermediate auditor in October 1998. He started his career in Armed Police of China 5303 Factory (武警五三零三工廠). Mr. Lv joined Yili Group in March 2003. He served as the financial manager of a number of subsidiaries under the Yili Group, the marketing and finance director of the finance department and the assistant to the chief financial officer at liquid milk division (液態奶事業部) of Yili Group, the deputy marketing and finance director and the budget management director of the financial management department, the head of the M&A department of Yili Group. From April 2015 to August 2019, Mr. Lv worked in our Group, successively serving as the chief financial officer of Inner Mongolia Youran and the assistant deputy director of finance of SKX. He concurrently served as the secretary to the board of Inner Mongolia Youran from May 2016 to August 2019, and also served as a director of Inner Mongolia Youran from November 2015 to December 2019.

Mr. Lv has been serving as the deputy general manager of Inner Mongolia Youran since January 2022. Mr. Lv has also been a director of Youmu Investment Management, a subsidiary of the Company, since June 2022, and also a director of SKX since May 2024.

Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report of the Company for the Reporting Period.

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 of the chairman and the 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 the Chairman and the President since June 14, 2024, and resigned as an executive Director, the Chairman and the President on March 28, 2025. On March 28, 2025, Mr. Hao Haijun (**"Mr. Hao"**) was appointed as an executive Director, the Chairman and the President. After careful evaluation by the Nomination Committee and unanimous recognition by the Board, vesting the roles of both the chairman and the 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 the Chairman and the President 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 Corporate Governance Code, and maintain high corporate governance standards.

CORPORATE CULTURE

The Company actively advocates the core values of "excellence, undertaking, innovation, win-win and respect", takes the corporate mission of "creating the source power of human healthy life by its high-quality products" and establishes the corporate vision of "lead China's animal husbandry to march forward to the most trustworthy world-class animal husbandry tech-group", all of which serve as the fundamental policies for guiding the Company's long-term sustainable development in the future. The Company is dedicated to perfectly integrating high technology with purely natural products, providing high-quality and natural animal husbandry products with leading quality, technologies and services for its customers, and promoting the optimization of human nutritional structure from the source of animal husbandry, to safeguard human healthy life.

The Company promotes the deep integration of its corporate culture and business operations through implementing a series of policies and measures, which include but not limited to, adhering to its commitment to long-term principles, focusing on the technological transformation, lean operations, platform integration, digitalization-led development, talents development and green ecological construction, and striving to create sustainable social value. For details of the corporate culture of the Company, please refer to the "Environmental, Social and Governance Report" published by the Company on April 2026.

Corporate Governance Report

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding the Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

During the Reporting Period and as at the Latest Practicable Date, the Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors.

The composition of the Board was as follows:

Executive Directors

Mr. Hao Haijun (郝海軍) (*Chairman and President*)

(*appointed as the executive Director, the Chairman and the President on March 28, 2025*)

Mr. Dong Jiping (董計平)

Ms. Meng Yilan (孟一蘭) (*appointed on March 28, 2025*)

Mr. Yuan Jun (袁軍) (*resigned as the executive Director, the Chairman and the President on March 28, 2025*)

Non-Executive Directors

Mr. Bai Wenzhong (白文忠) (*appointed on June 27, 2025*)

Ms. Li Lin (李林) (*appointed on June 27, 2025*)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉) (*resigned on March 28, 2025*)

Mr. Xu Jun (徐軍) (*resigned on June 27, 2025*)

Mr. Yang Huicheng (楊慧成) (*resigned on June 27, 2025*)

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Ms. Huang Lin (黃琳) (*appointed on June 27, 2025*)

Mr. Shen Jianzhong (沈建忠) (*resigned on June 27, 2025*)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 52 to 56 of this annual report, in which a diversity of skills, expertise, experience and qualifications of the Directors is set out.

There are no financial, business, family or other material/relevant relationships between the members of the Board.

Corporate Governance Report

CHAIRMAN AND PRESIDENT

Mr. Yuan Jun had served as the Chairman and the President since June 14, 2024, and resigned as the executive Director, the Chairman and the President on March 28, 2025. Mr. Hao Haijun was appointed as the executive Director, the Chairman and the President on March 28, 2025. The Chairman provides leadership and is responsible for the management of the Board. The President focuses on the Company's overall operation and management. Their respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	Environmental, Social and Governance Committee	General Meeting
Executive Directors						
Mr. Hao Haijun	3/3	N/A	N/A	N/A	N/A	2/2
Mr. Dong Jiping	4/4	N/A	N/A	N/A	N/A	2/2
Ms. Meng Yilan	3/3	N/A	N/A	N/A	N/A	2/2
Mr. Yuan Jun	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Mr. Bai Wenzhong	2/2	N/A	N/A	N/A	N/A	1/1
Ms. Li Lin	2/2	N/A	N/A	N/A	N/A	1/1
Mr. Xu, Zhan Kevin	3/4	N/A	1/1	N/A	N/A	2/2
Mr. Qiu Zhongwei	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Xu Jun	1/1	1/1	N/A	N/A	N/A	1/1
Mr. Yang Huicheng	1/1	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Ms. Xie Xiaoyan	4/4	1/1	N/A	2/2	2/2	2/2
Mr. Yao Feng	4/4	N/A	1/1	2/2	2/2	1/2
Ms. Huang Lin	2/2	N/A	N/A	1/1	1/1	0/1
Mr. Shen Jianzhong	2/2	1/1	1/1	N/A	1/1	1/1

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period. During the Reporting Period, all Directors attended the annual general meeting held on May 23, 2025 either in person or online. During the Reporting Period, all the remaining Directors attended the extraordinary general meetings held on September 26, 2025 either in person or by electronic means of communication except Mr. Yao Feng and Ms. Huang Lin.

Corporate Governance Report

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times met the requirements under Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers them independent.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board is the crucial element of the success of the Group, the diversified composition of which enables us to derive the skills, experiences and perspectives from each Director, and thereby, promoting the ongoing development of the Company. The procedures and process of appointment, re-election and removal of Directors of the Company are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors has entered into a service contract with the Company. The initial term of their respective service contract is from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice. Each of the non-executive Directors has entered into a service contract and each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their respective service contracts or appointment letters is a period of three years commencing from the date of their appointment, subject to an automatic renewal upon the expiry, until terminated in accordance with the terms and conditions of the service contract or appointment letter or by either party giving to the other not less than one month's prior notice in writing.

All the Directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the requirements of Article 108 of Articles of Association and the code provision B.2.2 of the Corporate Governance Code. At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Dong Jiping and Mr. Yao Feng shall retire at the forthcoming AGM and being eligible, will offer themselves for re-election.

Pursuant to Article 112 of Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Accordingly, Mr. Hao Haijun, who was appointed as an executive Director and the Chairman on March 28, 2025, and Ms. Meng Yilan, who was appointed as an executive Director on the same date, have retired and been re-elected as executive Directors at the AGM held on May 23, 2025. Additionally, Mr. Bai Wenzhong and Ms. Li Lin, who were appointed as non-executive Directors on June 27, 2025, and Ms. Huang Lin, who was appointed as an independent non-executive Director on the same date, shall retire and being eligible, will offer themselves for re-election as

Corporate Governance Report

non-executive Directors and an independent non-executive Director, respectively, at the AGM. Furthermore, Mr. Hao Haijun, Ms. Meng Yilan, Mr. Bai Wenzhong, Ms. Li Lin and Ms. Huang Lin have also obtained the legal advice referred to in Rule 3.09D of the Listing Rules on the day of their appointment as Directors, and confirmed that they understand the responsibilities as Directors.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the liabilities of Directors' and senior management in respect of potential legal actions against Directors and senior management arising out of corporate activities.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board assumes the responsibility of leading and controlling the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, or indirectly through its committees, leads the management, provides guidance to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other positions held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees") as detailed in this annual report.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference.

Corporate Governance Report

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 the Group. With effect from March 28, 2025, Mr. Qiu Zhongwei resigned as a member of the Audit Committee and Mr. Shen Jianzhong was appointed as a member of the Audit Committee. With effect from June 27, 2025, Mr. Shen Jianzhong resigned as a member of the Audit Committee and Ms. Huang Lin was appointed as a member of the Audit Committee. The restructured Audit Committee consists of three members, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin, all of them being independent non-executive Directors. Ms. Xie Xiaoyan, being our independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise, is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Audit Committee held 2 meetings to review the Company's annual results and annual report for the year ended December 31, 2024 and the interim results and interim report for the six months ended June 30, 2025. During the meetings, the Audit Committee also reviewed the financial report, the effectiveness of the risk management and internal control systems and internal audit function, and the appointment of external auditors and their provision of non-audit services.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. With effect from June 27, 2025, Mr. Shen Jianzhong resigned as the chairperson of the Remuneration Committee and Mr. Xu Jun resigned as a member of the Remuneration Committee; Ms. Huang Lin was appointed as the chairperson of the Remuneration Committee and Mr. Bai Wenzhong was appointed as a member of the Remuneration Committee. The restructured Remuneration Committee consists of three Directors, namely Ms. Huang Lin, Ms. Xie Xiaoyan and Mr. Bai Wenzhong. Each of Ms. Huang Lin and Ms. Xie Xiaoyan is an independent non-executive Directors and Mr. Bai Wenzhong is a non-executive Director. Ms. Huang Lin is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among other things (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) making recommendations to the Board on the specific remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, of which compensation payments includes any compensation payable for loss or termination of their office or appointment or alternatively, or making recommendations to the Board on such remuneration packages; (iii) making recommendations to the Board on the remuneration of non-executive Directors; and (iv) reviewing performance-related elements of the overall remuneration package for executive Directors to align their interests with those of Shareholders.

The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee held 1 meeting to review the remuneration policy and structure of the Company and make recommendations to the Board on the remuneration packages of individual Directors and senior management.

Corporate Governance Report

Details of the Directors' remuneration during the Reporting Period are set out in Note 14 to the consolidated financial statements. The remuneration of the senior management (other than Directors) of the Group by band for the Reporting Period is set out below:

Remuneration bands (HK\$)	Number of persons
HK\$0 – HK\$1,000,000	1
HK\$1,000,001 – HK\$1,500,000	–
HK\$1,500,001 – HK\$2,000,000	1
HK\$2,000,001 – HK\$2,500,000	2
Total	4

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. With effect from March 28, 2025, Mr. Shen Jianzhong and Mr. Xu, Zhan Kevin resigned as members of the Nomination Committee; Mr. Yao Feng was reassigned as a member from the chairperson of the Nomination Committee; Mr. Hao Haijun was appointed as the chairperson of the Nomination Committee and Ms. Xie Xiaoyan was appointed as a member of the Nomination Committee. The restructured Nomination Committee consists of three members, namely Mr. Hao Haijun, Mr. Yao Feng and Ms. Xie Xiaoyan. Mr. Hao Haijun is the Chairman and an executive Director and each of Mr. Yao Feng and Ms. Xie Xiaoyan is an independent non-executive Director. Mr. Hao Haijun is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and consider the qualifications of the retiring Directors standing for election at the forthcoming AGM, as well as to review the Company's board diversity policy and its implementation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the environmental, social and governance committee (the "ESG Committee") with written terms of reference on August 23, 2024. With effect from March 28, 2025, Mr. Shen Jianzhong was reassigned as a member from the chairperson of the ESG Committee and Mr. Yao Feng was reassigned as the chairperson from a member of the ESG Committee. With effect from June 27, 2025, Mr. Shen Jianzhong resigned as a member of the ESG Committee and Ms. Huang Lin was appointed as a member of the ESG Committee. The restructured ESG Committee consists of three members, namely Mr. Yao Feng, Ms. Xie Xiaoyan and Ms. Huang Lin, all of them being independent non-executive Directors. Mr. Yao Feng is the chairperson of the ESG Committee.

The primary duties of the ESG Committee are to undertake the Company's ESG strategic planning, risk management, policy system and target setting, ensure the effectiveness of ESG management through regular supervision and review, and report and make recommendations to the Board.

The terms of reference of the ESG Committee are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

During the Reporting Period, the ESG Committee held 2 meetings to review and monitor the Group's ESG related performance of 2024 and the first half of 2025, review the achievement of ESG objectives, discuss the key ESG issues that have a significant impact on the Group's operations and/or the interests of other key stakeholders, and review the Group's ESG related policies.

BOARD DIVERSITY

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted a board diversity policy (the **"Board Diversity Policy"**) which sets out the objective and approach to achieve and maintain diversity of the Board. The Company believes that the increasing diversity at the Board level is the basic element to support the attainment of the Company's strategic objectives and sustainable development. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors when selecting candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to the Board.

The Board currently consists of four female Directors and five male Directors. The Nomination Committee considers that, taking into account the business needs of the Company, the Directors have a balanced mix of knowledge and skills in various areas, including but not limited to business management, economic management, information security and information technology, biotechnology and financial management, and have obtained degrees in various majors including economics, engineering, accounting, electronic information science and technology and management. The Board is of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for ensuring the diversity of our Board members when identifying candidates suitably qualified to become Board members, having evaluated the working scope and responsibility of the required position. Different means will be used by the Nomination Committee in the identification of candidates, including recommendations from members of the Board, engagement of independent recruitment consultants and any other means or channels that it deems appropriate. During the Reporting Period, the Board conducted a review of the implementation and effectiveness of the Board Diversity Policy, and considered that the experience and competence of the Directors in all aspects and areas could enable the Company to maintain operation at a high standard. The Board is committed to continuously enhancing the diversity of the Board, and has set target figures and timetable for the gender diversity of the Board.

DIVERSITY OF EMPLOYEES

The Group is committed to promoting diversity in its workforce, and has adopted an employee diversity policy (the **"Employee Diversity Policy"**) which sets out the objective and approach to achieve and maintain diversity of employees. The Group provides an open and inclusive work environment with equal opportunities for employees, and offers all staff a sense of belonging, respect and recognition. The Group prohibits any form of harassment or discrimination on the basis of gender, color, ethnicity, religion, cultural background, marital status, physical conditions and nationality, and the discrimination in hiring or employment practices with respect to marital status, promotion, awards or access to training. The Group embraces people of all genders. The Group is committed to providing equal opportunities for employees in recruitment, training and development, position promotion and remuneration. Meanwhile, the Group is committed to value creation, promotes the 4P remuneration philosophy and implements the "broadband remuneration" plan, effectively protecting the appropriate remuneration of all employees based on their personal value creation. In addition, the Group is committed to promoting the construction of a diversified team and creating a cultural atmosphere of diversity, inclusiveness, openness and mutual respect.

The Company will carry out the internal investigation and assessment on a regular basis, to assess the employee's satisfaction, scope for improvement and outstanding results related to the implementation of diversification policies. The Company will, according to the results of the investigation and assessment, make targeted adjustments to the relevant works on diversification policies.

Corporate Governance Report

As of December 31, 2025, female employees represented 26.5% of the total workforce (including senior management) of the Group and female Directors represented 44.4% of the Board seats. We will continue to work towards enhancing gender diversity of the Board and the Group's employees, and have set target figures and timetable for the employee diversity.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy (the “**Director Nomination Policy**”) in accordance with the Corporate Governance Code. The Director Nomination Policy, which sets out the selection criteria and process and the considerations in relation to nomination and appointment of Directors for the Board succession plan, aims to ensure that the Board has a balance of skills and experience and provide diversified perspectives to meet the requirements of the Company's business.

The Nomination Committee shall identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

The Director Nomination Policy sets out the non-exhaustive factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Integrity and reputation;
- Educational background, professional qualifications and work experience (including part-time jobs);
- Whether or not they possess the necessary skills and experience;
- Whether or not they are able to put sufficient time and effort into handling the Company's affairs;
- Whether or not they will promote the diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and term of office;
- Whether or not the candidates for independent non-executive Directors meet the requirements for independence under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as determined by the Nomination Committee or the Board from time to time.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Director Nomination Policy, from time to time and as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in provision A.2.1 of the Corporate Governance Code.

Corporate Governance Report

The Board is responsible for developing and reviewing the Company's corporate governance policies and practices, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

During the Reporting Period, the Board had reviewed the Company's corporate governance practice and performed its corporate governance function.

DIVIDEND POLICY

The Company has adopted a dividend policy on payment of dividends in accordance with the then provision F.1.1 of the Corporate Governance Code (which was upgraded to paragraph M of the mandatory disclosure requirements on July 1, 2025).

According to the dividend policy, payment of dividends depends on a number of factors, including but not limited to the following:

- general business conditions of the Company;
- financial results of the Company;
- capital requirements of the Company;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

Dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to Shareholders' approval.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 76 to 79 of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Corporate Governance Report

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors are arranged and reading material on relevant topics are provided to the Directors on a regular basis. All Directors are encouraged to attend relevant training courses at the Company's expense.

During the Reporting Period, the Company provided a series of trainings and relevant reading materials to the Directors to help ensure that they are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its business and to refresh their knowledge and skills on the roles, functions and duties as a director of a listed company. The Directors have attended seminars and training sessions arranged by relevant business and professional/financial institutions/law firms, and have read the relevant latest materials relating to regulatory updates, business and industry development, corporate governance and environment, society and governance, risk management and internal control and directors' duties. The relevant details are set out below:

Name of Director	Roles, functions, and Responsibilities of the Board, its committees, and Directors, as well as the effectiveness of the Board	The Company's responsibilities under Hong Kong laws and the Listing Rules and Director's duties, as well as major laws and regulatory developments (including updates on the Listing Rules) related to the performance of such responsibilities and duties	Training Topics		
			Matters related to corporate governance and environmental, social and governance (including the development of sustainability or climate related risks and opportunities relating to the listed company and its businesses)	Risk management and internal control	Updates on the special industry development, business trend and strategies related to the Company
Executive Directors					
Mr. Hao Haijun	√	√	√	√	√
Mr. Dong Jiping	√	√	√	√	√
Ms. Meng Yilan	√	√	√	√	√
Mr. Yuan Jun	√	√	Nil	√	√
Non-executive Directors					
Mr. Bai Wenzhong	√	√	√	√	√
Ms. Li Lin	√	√	√	√	√
Mr. Xu, Zhan Kevin	√	√	√	√	√
Mr. Qiu Zhongwei	√	√	Nil	Nil	Nil
Mr. Xu Jun	√	√	Nil	Nil	√
Mr. Yang Huicheng	√	√	Nil	Nil	√
Independent Non-executive Directors					
Ms. Xie Xiaoyan	√	√	√	√	√
Mr. Yao Feng	√	√	√	√	√
Ms. Huang Lin	√	√	√	√	√
Mr. Shen Jianzhong	√	√	Nil	Nil	√

Corporate Governance Report

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the external auditor for the Reporting Period. A statement by the Auditor about its reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 76 to 79 of this annual report.

The Audit Committee is responsible for making recommendations to the Board on the appointment of external auditors and reviewing the non-audit services (including any potential conflict of interest) performed by the external auditors.

Details of the fees in respect of the audit and non-audit services provided by the Auditor for the Reporting Period are set out in the table below:

Services rendered for the Company	Total fees paid and payable RMB'000
Audit services	5,600
Non-audit services	3,851
Interim review	1,800
Other services	2,051
Total	9,451

BOARD INDEPENDENCE MECHANISM

During the Reporting Period, the Board reviewed the implementation and effectiveness of the mechanisms in place to ensure that independent views and opinions are available to the Directors. Having considered the following aspects, the Board considered that the Company maintained an effective mechanism to ensure a potent and sufficient element of independence in the Board:

- the independent non-executive Directors account for no less than one-third of the total number of Directors, all of whom continued to devote sufficient time to the Company; other Board Committees are also comprised of a sufficient number of independent non-executive Directors to ensure that independent views are available to each Board Committee;
- the Board reviews its structure, size and composition (including skills, knowledge, experience, gender balance and length of tenure) and the implementation and effectiveness of the Board Diversity Policy at least annually to maintain a balanced composition of the Board;
- the Nomination Committee assesses the independence of all independent non-executive Directors annually in accordance with the independence standards set out in the Listing Rules to ensure that they are always able to exercise independent judgment;
- all Directors (including independent non-executive Directors) have equal opportunities and multiple channels to convey and express their independent views and perspectives to the Board and Board Committees;

Corporate Governance Report

- all Directors (including independent non-executive Directors) may request further data and documentation from the management of the Company on matters discussed at Board meetings;
- all Directors may seek assistance from the secretary to the Board and the company secretary and seek external independent professional advice at the Company's expense;
- all Directors (including independent non-executive Directors) shall not vote on any Board resolution approving any contract or arrangement in which he/she or any of his/her associates has a material interest nor shall he/she be counted in the quorum of the meeting; and
- the Chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors to discuss matters and address concerns.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board attaches great importance to and is fully responsible for maintaining a sound and effective risk management and internal control system for the Group. To discharge its responsibilities, the Board, on an ongoing basis, oversees the design, implementation and monitoring of the risk management and internal control systems by management. The Audit Committee, on behalf of the Board, reviews the development, implementation and oversight of the risk management and internal control systems by management on a semiannual basis, and reviews the effectiveness of the risk management and internal control systems on an annual basis.

In order to ensure the effectiveness of the risk management and internal control system, the Group has adopted the "Three Defence Lines" model for internal control and risk management, and established a risk management and internal control framework under the supervision and guidance of the Board, taking into account the actual situation of the Company. The Board has established a multi-level organisation, including the Audit Committee under the Board of Directors, the internal control and risk management committee at the management level, the functional supervision and support departments, and the operating business departments, achieving a joint supervision function.

The system of "Three Defence Lines" for risk management and internal control is designed to manage, rather than completely eliminate, the risks that may prevent the Company from achieving its business strategies, to provide reasonable but not absolute assurance against material misstatement or loss and the satisfaction of the Company's strategic business objectives.

RISK MANAGEMENT

The Group has established a risk management system, covering the establishment of the aforementioned "Three Defence Lines" model for internal control and risk management, and clarifying the responsibilities of internal control and risk management at various levels, besides, we have formulated risk management-related policies and established risk management processes. The Group's audit department organizes each business and functional department to regularly identify and evaluate risks that may affect the achievement of objectives on an annual basis, comprehensively identifies and evaluates risks in the strategy, market, finance, operation and legislation fields of the Group, and focuses on the implementation of control of major risks at the group level. The Group's internal control and risk management committee formulates the corresponding risk response strategies, clarifies the main responsible departments and responsible persons, and formulates appropriate risk coping measures or contingency plans, which effectively reduces and circumvents the adverse impact of major risks on the Group's strategic objectives and sustainable development.

Corporate Governance Report

Major Risks

The major risks to which the Company may be exposed and the risk coping measures that have been implemented are summarized as below.

Strategic Risks

The Directors and management of the Group have developed a short and long-term strategic plan on a comprehensive basis relying on their extensive experience and insights in the dairy industry. Based on these strategies, the Group will actively seize market opportunities, and continue to enhance its operational capabilities by making timely investments in quality farms, feed mills, breeding farms and forage grass plantation bases to meet market demand and expectations. Specifically, the Group will continuously engage in product development and technological innovation, build a win-win ecological service platform for the industry chain, effectively promote lean production management, continue to drive digitalization and intelligence in production management, and actively practise green and low-carbon sustainable development. In addition, the Group will also closely review and monitor the progress of the implementation of the relevant strategies, take proper risk mitigation measures and make necessary strategic adjustments according to the market changes, so as to ensure the provision of premium raw milk and comprehensive ruminant farming solutions for consumers and customers.

Market Risks

In recent years, the international market conditions and regulatory environment have been increasingly affected by competition among countries and geopolitical conflict. Uncertainties in the economic situation, geopolitics and extreme weather may cause changes in external market conditions, which may in turn lead to risks of economic losses towards the Company, such as fluctuations in milk prices, fluctuations in raw material costs and interest rate risks. The Group actively seeks business development opportunities to address fluctuations in milk prices through product innovation and maintaining long-term stable win-win partnerships with major customers; deal with fluctuations in raw material costs through precise feeding, formula upgrades and a diversified range of feed; and mitigate interest rate risks through optimizing stock loans, adjusting debt structure and improving capital yields.

Financial Risks

The Group is exposed to credit and liquidity risks in the ordinary course of business. To rigorously control the potential financial risks, the Company has delegated a special team to formulate credit limits and credit approval procedures. Prior to accepting any new clients, the Group evaluates the credit status of potential clients with the internal credit scoring system, and sets corresponding credit limit based on their profiles. The Group conducts annual comprehensive credit assessment of all customers, and then adopts additional credit risk control measures for customers with relatively lower credit ratings or operational difficulties based on the assessment results. In addition, the Group also actively optimizes its capital structure to maintain adequate cash flows, and to enhance the debt repayment capability and risk prevention of the Company.

Operational Risks

The Group's operations may be affected by certain specific risk factors such as disruptions in the operation of production facilities and actual or alleged food safety issues, which are mitigated and controlled by the Group's internal control system. For details, please refer to the section headed "Risk Management and Internal Control – Internal Control" of this annual report.

Corporate Governance Report

Legal Risks

As new laws and regulations continue to be issued and the Group's business continues to expand, the Group's operations are required to obtain various approvals, licenses and permits to be in compliance with the applicable laws and regulations. The Group has taken practical measures to invest substantial resources in various aspects to ensure compliance with regulatory requirements, established professional departments and teams, engaged external professional consultants, maintained close contact and communication with business management at all times, communicated with regulatory authorities in a timely manner and actively paid attention to changes in relevant laws and regulations in a timely manner. The Group has adjusted strategies and adopted countermeasures accordingly, and enhanced internal interpretation and training on revised laws and regulations. We have also improved our management mechanism to ensure that the Company would comply with the relevant laws and regulations.

Internal Control

The Board is responsible for establishing the internal control system and reviewing its effectiveness. The Group has established an internal control system, covering the "Three Defence Lines" model for internal control and risk management, and clarifying the responsibilities of internal control and risk management at various levels. Besides, we have formulated internal control-related policies and established internal control management processes. The audit department of the Group conducts annual evaluation of the overall internal control of the Company in accordance with the "Basic Standards for Enterprise Internal Control" and "18 Practice Notes for Enterprise Internal Control" and other national laws and regulations as well as rules and regulations, and reports to the Audit Committee.

The Group's internal control system clearly defines the management responsibilities, authorization and approval of each critical party, and establishes clear policies and procedures for important business processes. We emphasize the importance of the internal control system, and require all employees to strictly comply with the management standards for business process, covering all aspects of finance, legal and operations.

To further strengthen management's responsibility for the Group's internal control system and to properly validate the effectiveness of the internal control system by management, the management of each business unit and functional division needs to conduct self-assessment and rectification of the internal controls of the business departments and functional divisions within its responsibility on a quarterly basis. The audit department assists the management in preparing a template for the "Internal Control Evaluation Test for Critical Control Points" in accordance with the "Basic Standards for Enterprise Internal Control" and "18 Practice Notes for Enterprise Internal Control", and guides each business department and functional department in conducting self-evaluation and collecting, reviewing and summarizing the results of internal control evaluation, and determining the results of internal control evaluation at the company level in combination with the problems found by the audit department. The audit department will also issue a report, and conduct independent supervision and evaluation on the overall operation of the Group's internal control system. The President will also review the self-evaluation of each business department and functional department to appraise the effectiveness of the Company's internal control system in general.

Corporate Governance Report

Anti-Fraud

Anti-fraud System and Whistleblowing Policy

The Company has adopted an anti-fraud system and whistleblowing policy, and pays high attention to the management of anti-corruption and promotion of honesty by continuously improving its anti-fraud ecosystem to ensure all the staff “don’t dare to, are unable to and have no desire to commit acts of corruption”, and develop a clean and upright working environment. The Company has an audit department to manage risk assessment and investigate into complaints, thereby guaranteeing its lawful operation free of corruption. The relevant provisions include a series of internal rules such as the Punishment Measures for Fraudulent Behaviours (《舞弊行為懲處辦法》), Measures for the Administration of Anti-Fraud Work (《反舞弊工作管理辦法》), Youran Dairy’s Code of Business Conduct (《優然商業行為準則》), Youran Dairy’s Bottom Line System (《優然高壓線》) and Youran Dairy’s Relevant Regulations on Cultivating a Culture of Honest and Upright (《優然牧業推動落實廉潔新風的相關規定》). In addition, the Group’s audit department also conducts internal audit as part of its regular routine monitoring and reports the same to the management. Our staff are continuously reminded on the importance of anti-corruption and anti-fraud through training.

Access and safeguards for reporting

The Group has established multiple whistleblower channels to enable our employees, customers and suppliers to raise concerns in confidence and anonymously with the Audit Committee about possible misconduct in any matter relating to the Company in order to mitigate any suspected incidents of corruption or malpractice. Whistleblowers may report in real-name or an anonymous manner; they may report their own concerns or those of others they have seen; and they must act in good faith and be truthful about their concerns.

The Group’s audit department will evaluate the feedback and make a decision to investigate the matter or hand over to the relevant departments. For real-name reports on fraud issues, the audit department will respond within 24 hours, register them, hand them over to the relevant departments and initiate the investigation process within 5 working days. The investigation of complaints will be conducted in accordance with the principles of fairness, impartiality and confidentiality, and the information about the whistleblower and the content reported will be kept strictly confidential. If the complainant has been retaliated against, he/she can provide the relevant information to the audit department in a timely manner and the audit department will further investigate and resolve the matter in accordance with the relevant system.

For those employees and partners who are found to have committed irregular and fraudulent acts, the Group will punish the responsible personnel or related parties in accordance with the relevant system, including but not limited to, for employees, retention for inspection, suspension, demotion, transfer, salary reduction, termination of labour relations and, for suppliers, termination or prohibition of cooperation, etc.

Risk Management and Internal Control Effectiveness

During the Reporting Period, the Group invested more resources in the development of risk management and internal control systems, and employees’ awareness of risk management continued to increase. The internal control function continued to reach the front end of the business and was more proactive in supporting the healthy development of the business and enhancing risk management. The internal control and risk management committee continued to drive the implementation of various special audits and continuous audits to better provide effective and timely independent evaluations. The anti-fraud investigation team is responsible for receiving reports through multiple channels and following up and investigating suspected fraudulent incidents in a timely manner. It also assists the management in promoting the value of “Self-reflection” and “Youran Dairy’s Code of Business Conduct (《優然商業行為準則》)” to all employees of the Company. The linkage of the “Three Defence Lines” has been further strengthened in order to support the development of the Company more effectively.

Corporate Governance Report

The Company handles and releases the inside information according to the various inside information disclosure procedures, to ensure that inside information remains confidential until disclosure is properly approved and that such information is released efficiently and on an ongoing basis.

The Audit Committee is responsible for assisting the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the audit department, reporting and making recommendations to the Board in a timely manner. Under the supervision of the Audit Committee, the audit department oversees the risk management and internal control systems and conducts independent audits on the effectiveness and integrity of the risk management and internal control systems. The audit department identifies significant risks and coordinates with the internal control and risk management committee to issue recommendations on internal control and risk improvement plans and corrective measures, and conducts follow-up audits on issues identified to ensure proper implementation of planned remedial measures. The audit department operates independently of the Company's business centres and departments and reports audit findings and follow-ups to the Audit Committee on a half-yearly basis.

During the Reporting Period, the Board reviewed the effectiveness of the Company's risk management and internal control systems and considered them to be effective and adequate. The review covered all material controls, including financial, operational and compliance controls.

COMPANY SECRETARY

Ms. Yu Wing Sze ("**Ms. Yu**"), is the company secretary of the Company. Ms. Yu is a manager of the listing services department of TMF Hong Kong Limited, a company secretarial service provider, and is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, and the applicable laws, rules and regulations were followed.

Ms. Yu's primary corporate contact person at the Company is Ms. Wang Caixia (王彩霞), the information disclosure manager of the Company who is primarily responsible for internal compliance and company secretarial matters of the Group.

Ms. Yu has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the Reporting Period.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("**EGM**") by Shareholders and Putting Forward Proposals at General Meetings

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings; on a one vote per share basis and the foregoing Shareholder shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an EGM following the procedures set out in above.

Corporate Governance Report

PROCEDURE FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Detailed procedures for Shareholders to propose a person for election as a Director are published on the Company's website.

PUTTING FORWARD ENQUIRIES TO THE BOARD AND CONTACT DETAILS

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company, for the attention of the Board by mail to No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China or by e-mail to YouranIR@yourandairy.com. The Company will endeavour to respond to their queries in a timely manner. Shareholders may also make enquiries with the Directors at the general meetings of the Company. The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company has adopted a shareholder communication policy and maintained it in force, and details of the policy are available on the Company's website. The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies, and endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries. Regular meetings are held with institutional investors and financial analysts to ensure two-way communications on the Company's performance and development. When the Company announces its interim and annual results, earnings conferences are conducted to apprise investors, analysts and the press of the Group's operating results as well as business strategies and outlook. The Company's investor relations website is updated on a timely basis to ensure that investors are able to have access to the Company's information, latest news and reports.

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted during the Reporting Period and was satisfied with the implementation and effectiveness of the shareholder communication policy.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company did not make any changes to its Articles of Association. The Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

Deloitte.

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TO THE SHAREHOLDERS OF CHINA YOURAN DAIRY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Youran Dairy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 80 to 183, which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), as applicable to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Fair value of milkable cows	
We identified the fair value of milkable cows as a key audit matter due to the significance of the balance on the consolidated statement of financial position at December 31, 2025 and the significant degree of estimates made by the management in determining such fair values. The Group reported milkable cows of RMB8,468 million in biological assets as at December 31, 2025. These biological assets are measured at fair value less costs to sell at the end of the reporting period. As disclosed in Notes 5, 22 and 44 to the consolidated financial statements, the fair values of milkable cows are 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 of raw milk. Details of milkable cows and the related estimation uncertainty on their fair value are set out in Notes 5, 22 and 44 to the consolidated financial statements.	Our procedures in relation to the significant inputs used in determining fair value of milkable cows included: • Comparing the estimated local future market price of raw milk with historical raw milk price and trend, latest selling price and, where available, the sales contracts on hand; • Comparing the estimated average daily milk yield with historical milk yield and industry data; • Comparing the estimated feed costs per kilogram of raw milk with historical feed cost, recent contract prices of main raw materials and industry data, where available; and • Comparing the discount rate used in discounting future cash flows to be generated by milkable cows with the acceptable range calculated by our internal valuation professionals.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mak Chi Lung (practising certificate number: P05732).

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2025

	NOTES	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Revenue	6	20,653,706	20,096,160
Cost of sales	7	(19,520,335)	(18,782,079)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	22	5,020,326	4,468,909
Gross profit		6,153,697	5,782,990
Loss arising from changes in fair value less costs to sell of biological assets	22	(4,311,969)	(3,921,360)
Other income	8	429,167	549,370
Impairment loss under expected credit loss model, net of reversal	9	(45,630)	(24,473)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	17/19	(48,141)	(512,850)
Other gains and losses	10	1,860	(102,152)
Selling and distribution expenses		(638,155)	(632,290)
Administrative expenses		(854,553)	(806,677)
Other expenses		(166,374)	(122,881)
Share of losses of associates	24	(78,407)	(79,666)
Share of loss of a joint venture		(1,416)	(989)
Finance costs	11	(817,814)	(903,487)
Loss before tax		(377,735)	(774,465)
Income tax expense	12	(57,567)	(87,022)
Loss for the year	13	(435,302)	(861,487)
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax	25	3,926	(5,528)
Exchange differences arising on translation from functional currency to presentation currency		(302,446)	207,803
		(298,520)	202,275
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		415,896	(277,322)
Other comprehensive income/(expense) for the year, net of income tax		117,376	(75,047)
Total comprehensive expense for the year		(317,926)	(936,534)
Loss for the year attributable to:			
Owners of the Company		(432,386)	(690,890)
Non-controlling interests		(2,916)	(170,597)
		(435,302)	(861,487)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(315,080)	(764,488)
Non-controlling interests		(2,846)	(172,046)
		(317,926)	(936,534)
		RMB	RMB
Loss per share	15		
Basic		(0.11)	(0.18)
Diluted		(0.11)	(0.18)

Consolidated Statement of Financial Position

At December 31, 2025

	NOTES	31/12/2025 RMB'000	31/12/2024 RMB'000
Non-current assets			
Property, plant and equipment	17	14,499,418	15,076,822
Investment properties	18	2,276	2,276
Right-of-use assets	19	2,945,399	3,048,031
Goodwill	20	672,014	672,014
Intangible assets	21	22,959	26,540
Biological assets	22	14,583,108	15,364,953
Deferred tax assets	23	53,504	46,778
Interests in associates	24	795,602	891,844
Interest in a joint venture		2,079	3,558
Equity instruments at FVTOCI	25	15,684	11,766
Pledged and restricted bank deposits	31	19,627	14,933
Deposits paid for purchase of property, plant and equipment		11,012	120,790
Deposits paid for purchase of biological assets		3,174	108
Deposits paid for right-of-use assets		1,808	–
Prepayments, deposits and other receivables	29	12,685	20,061
Other non-current assets	45(h)	21,699	–
		33,662,048	35,300,474
Current assets			
Inventories	26	4,000,583	4,311,226
Trade receivables	27	660,445	691,643
Bills receivable		500	–
Contract assets	28	543	800
Biological assets	22	319	250
Prepayments, deposits and other receivables	29	131,592	213,806
Financial assets at fair value through profit or loss ("FVTPL")	30	54,628	53,057
Amounts due from related parties	45	1,369,308	1,354,921
Pledged and restricted bank deposits	31	83,678	115,821
Bank balances and cash	31	1,197,221	829,310
Deposits placed with a related party	45	715,948	785,359
Time deposits	31	494,000	–
		8,708,765	8,356,193
Current liabilities			
Trade and bills payables	32	2,146,229	2,275,854
Other payables and accruals	33	1,523,676	1,640,703
Contract liabilities	34	27,396	30,332
Amounts due to related parties	45	204,097	151,960
Bank and other borrowings	35	16,083,449	16,709,437
Lease liabilities	37	300,014	248,410
Other provisions	38	19,807	26,403
Income tax payable		16,670	26,788
		20,321,338	21,109,887
Net current liabilities		(11,612,573)	(12,753,694)
Total assets less current liabilities		22,049,475	22,546,780

Consolidated Statement of Financial Position

At December 31, 2025

	NOTES	31/12/2025 RMB'000	31/12/2024 RMB'000
Non-current liabilities			
Bank and other borrowings	35	7,328,389	7,546,965
Deferred tax liabilities	23	10,696	11,449
Deferred income	36	898,108	814,900
Lease liabilities	37	1,944,217	1,988,397
Other provisions	38	26,251	25,311
		10,207,661	10,387,022
Net assets		11,841,814	12,159,758
Capital and reserves			
Share capital	39	258	258
Reserves		10,979,890	11,294,988
Equity attributable to owners of the Company		10,980,148	11,295,246
Non-controlling interests		861,666	864,512
Total equity		11,841,814	12,159,758

The consolidated financial statements on pages 80 to 183 were approved and authorised for issue by the board of directors on March 27, 2026 and are signed on its behalf by:

Hao Haijun
Director

Dong Jiping
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2025

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Capital reserve	Investment revaluation reserve	Translation reserve	Statutory reserve	Retained profits	Subtotal		
	RMB'000	RMB'000	RMB'000 (Note (iii))	RMB'000 (Note (i))	RMB'000	RMB'000	RMB'000 (Note (ii))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	251	7,265,589	188,567	634,181	2,305	(229,543)	712,102	3,257,266	11,830,718	1,267,977	13,098,695
Loss and other comprehensive expense for the year	-	-	-	-	(3,998)	(69,600)	-	(690,890)	(764,488)	(172,046)	(936,534)
Issue of shares	7	141,113	-	-	-	-	-	-	141,120	-	141,120
Acquisition of non-controlling interests in SKX	-	-	-	87,968	-	-	-	-	87,968	(230,891)	(142,923)
Acquisition of other non-controlling interests	-	-	-	(72)	-	-	-	-	(72)	(528)	(600)
Statutory fund appropriation	-	-	-	-	-	-	115,390	(115,390)	-	-	-
At December 31, 2024	258	7,406,702	188,567	722,077	(1,693)	(299,143)	827,492	2,450,986	11,295,246	864,512	12,159,758
Loss and other comprehensive income for the year	-	-	-	-	3,836	113,470	-	(432,386)	(315,080)	(2,846)	(317,926)
Statutory fund appropriation	-	-	-	-	-	-	114,780	(114,780)	-	-	-
Disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(18)	(18)	-	(18)
At December 31, 2025	258	7,406,702	188,567	722,077	2,143	(185,673)	942,272	1,903,802	10,980,148	861,666	11,841,814

Notes:

- (i) Capital reserve represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid when the Group acquired partial interests in existing subsidiaries and the balance transferred from convertible notes equity reserve upon expiration of the conversion option.
- (ii) The amount mainly represents statutory reserve fund. According to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to allocate at least 10% of its profit after tax as per financial statements prepared in accordance with the relevant PRC accounting standards to statutory reserve fund until the reserve fund reaches 50% of the registered capital of respective subsidiary. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.
- (iii) Other reserve represents the amounts arose from group reorganisation during 2015.

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	NOTES	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(377,735)	(774,465)
Adjustments for:			
Share of loss of a joint venture		1,416	989
Share of losses of associates		78,407	79,666
Loss arising from changes in fair value less costs to sell of biological assets		4,311,969	3,921,360
Bank interest income	8	(15,520)	(55,266)
Interest income from Yili Group (as defined in Note 45)	8	(6,869)	(9,603)
Interest income from finance lease receivables		120	(220)
Government grants	8	(127,598)	(173,337)
Finance costs	11	817,814	903,487
Exchange loss/(gain)		1,046	(632)
Depreciation and amortisation	13	765,459	699,922
Write-down of inventories		9,049	3,565
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	9	45,630	24,473
Loss on disposal of property, plant and equipment	10	2,586	2,215
Impairment loss on property, plant and equipment and right-of-use assets	17/19	48,141	512,850
Impairment loss on investment property	10	–	14,209
Impairment loss recognised in respect of interests in an associate	24	–	88,964
(Gain)/Loss on termination of lease agreements and sublease	10	(582)	6,008
Fair value gains on financial assets at FVTPL	10	(1,572)	(10,535)
Gain on adjustment of net investment in the sublease		(451)	–
Operating cash flows before movements in working capital		5,551,310	5,233,650
Decrease in inventories		373,632	283,928
(Increase)/decrease in trade receivables		(13,963)	77,002
(Increase)/decrease in bills receivable		(500)	4,323
Decrease in prepayments and other receivables		63,898	168,845
Increase in amounts due from related parties		(14,387)	(255,076)
Decrease in contract assets		257	1,478
(Decrease)/increase in trade and bills payables		(129,625)	162,662
Increase in other payables and accruals		110,125	54,051
Decrease in contract liabilities		(2,936)	(12,943)
Increase in amounts due to related parties		12,754	72,683
Increase in deferred income		54,144	69,218
(Decrease)/increase in provision of litigation		(6,596)	6,596
Cash generated from operations		5,998,113	5,866,417
Interest received		22,389	64,869
Income taxes paid		(75,254)	(93,172)
Net cash from operating activities		5,945,248	5,838,114

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

	NOTES	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(812,281)	(1,679,693)
Payments for right-of-use assets		(11,993)	(24,367)
Payments for intangible assets		–	(4,787)
Proceeds from disposal of property, plant and equipment		18,148	20,507
Proceeds from disposal of investment properties		–	430
Proceeds from disposal of equity instruments at FVTOCI		75	–
Payments for biological assets		(4,553,642)	(4,809,514)
Proceeds from disposal of biological assets		1,608,103	735,776
Purchase of financial assets at FVTPL		–	(1,467,032)
Proceeds from disposal of financial assets at FVTPL		–	1,424,510
Purchase of time deposits		(494,000)	–
Placement of pledged and restricted bank deposits		(574,475)	(356,105)
Withdrawal of pledged and restricted bank deposits		601,924	372,378
Receipt of government grants for assets		156,662	190,808
Receipt from finance lease receivables		415	200
Payments for early termination of lease agreements		(1,213)	–
Payments for other non-current asset	45(h)	(21,699)	–
Advance receipts for the disposal of other non-current asset	45(h)	39,383	–
Net cash used in investing activities		(4,044,593)	(5,596,889)
FINANCING ACTIVITIES			
New bank and other borrowings raised		29,245,606	25,957,945
Repayments of bank and other borrowings		(29,944,276)	(28,044,554)
Interest paid for bank and other borrowings		(751,038)	(849,092)
Repayment of lease liabilities		(87,680)	(94,120)
Interest paid for lease liabilities		(88,475)	(75,211)
Repayment of other liabilities		–	(7,500)
Payment for acquisition of additional interests in subsidiaries		–	(143,523)
Proceeds from issue of shares		–	141,120
Recovery of receivables pledged for bank borrowings	29	23,758	–
Net cash used in financing activities		(1,602,105)	(3,114,935)
Net increase/(decrease) in cash and cash equivalents		298,550	(2,873,710)
Cash and cash equivalents at beginning of the year		1,614,669	4,488,341
Effect of foreign exchange rate changes		(50)	38
Cash and cash equivalents at end of the year, represented by bank balances, and deposits placed with a related party		1,913,169	1,614,669

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 an IFRS Accounting Standard that is mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an IFRS Accounting Standard for the first time, which are mandatorily effective for the annual period beginning on January 1, 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21

Lack of Exchangeability

The application of the amendments to an IFRS Accounting Standard 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS *(Continued)*

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 Instruments²</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency³</i>

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2026.

3 Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standard 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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 (MPMs) 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, *Accounting Policies, Changes in Accounting Estimates and Errors* (the title of which will be changed to *Basis of Preparation of Financial Statements* upon effective of IFRS 18) 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. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group's MPMs will be disclosed in a separate note to the consolidated financial statements. The Group currently presents interest received in operating activities, and it will be classified in the investing activities on the consolidated statement of cash flows.

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, 2025, the Group had net current liabilities of RMB11.6 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, 2026 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, 2025. 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 its operating activities, the available unutilised bank loan facilities, the expected renewal of certain utilised bank loan facilities for an aggregate amount of approximately RMB9.16 billion within 12 months from December 31, 2025, and the proceeds from the subsequent equity financing, amounting to approximately HK\$2.33 billion (equivalent to approximately RMB2.10 billion).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 6 and 34.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases (Continued)

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis unless other systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within investment properties.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment whether the risk profile of the entity that enters into the lease is different to that of the Group and whether the lease benefit from a guarantee from the Group.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities *(Continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease payments in relation to lease liability will be allocated into a principal and an interest portion which are presented as financing cash flows by the Group.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Foreign currencies

In preparing the financial statements of individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the functional currency of the Company (i.e. USD) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in USD to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants relating to biological assets

A government grant related to a biological asset measured at its fair value less costs to sell was recognised in profit or loss when, and only when, the conditions attaching to the government grant are met.

Government loan at a below-market rate

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Other grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as right-of-use assets in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties measured using the cost model, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, investment properties, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Biological assets

The Group's biological assets mainly include dairy cows, dairy goats and breeding stock. Biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in profit or loss for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of biological assets is determined based on their present location and condition and is determined independently by a professional valuer.

The feeding costs and other related costs including staff costs, depreciation and amortisation charge, utility costs and consumables incurred for raising of calves, heifers and young dairy goats are capitalised, until such time as the calves, heifers and young dairy goats begin to produce milk.

Agricultural produce

Agricultural produce mainly represents raw milk and frozen bovine semen, which are recognised at the point of harvest at fair value less costs to sell. A gain or loss arising from agricultural produce at the point of harvest measuring at fair value less costs to sell is included in profit or loss for the period in which it arises.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets and other item subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, bills receivable, deposits and other receivables, amounts due from related parties, pledged and restricted bank deposits, bank balances and deposits placed with a related party) and other items (including contract assets) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade receivables from related parties presented under amounts due from related parties) and contract assets. The ECL on these assets are assessed individually for credit-impaired debtors and/or collectively using a provision matrix with appropriate groupings.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade and other receivables are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The ECL on trade receivables and contract assets, except for those assessed individually for credit-impaired debtors, is measured on a collective basis and those financial instruments are grouped under a provision matrix based on shared credit risk characteristics by reference to aging for the debtors.

The Group recognises an impairment gain or loss in profit or loss for all financial assets at amortised cost by adjusting their carrying amount, with the exception of trade receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Classification as debt or equity (Continued)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, bank and other borrowings, amounts due to related parties and other liabilities, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group extinguishes convertible notes before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Group when the convertible notes were issued. Any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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.

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, 2025 was RMB8,467,524,000 (as at December 31, 2024: RMB8,657,642,000). Further details are given in Notes 22 and 44.

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 as disclosed in the relevant parts in Note 4. 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, 2025, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB14,499,418,000 (as at December 31, 2024: RMB15,076,822,000) and RMB2,945,399,000 (as at December 31, 2024: RMB3,048,031,000), respectively as disclosed in Notes 17 and 19.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 Notes 27 and 43.

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, 2025, the carrying amount of goodwill was RMB672,014,000 (as at December 31, 2024: RMB672,014,000). Details are disclosed in Note 20.

Estimated impairment of interests in associates

As at December 31, 2025, 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, 2025, the carrying amount of the interests in associates amounted to RMB795,602,000 (as at December 31, 2024: RMB891,844,000). Details are disclosed in Note 24.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	2025 RMB'000	2024 RMB'000
Types of goods:		
Sales of raw milk	16,023,947	15,100,802
Sales of feeds	4,031,793	4,446,410
Sales of ruminant farming products	452,126	414,757
Sales of breeding products	145,840	134,191
	20,653,706	20,096,160
Timing of revenue recognition:		
A point in time	20,653,706	20,096,160

(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.

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, dairy goats and raw milk production
- Comprehensive ruminant farming solutions – trading, production and sales of feeds, ruminant farming products, and breeding products

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

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, 2025

	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	16,023,947	4,629,759	20,653,706	–	20,653,706
Inter-segment revenue	–	1,729,489	1,729,489	(1,729,489)	–
	16,023,947	6,359,248	22,383,195	(1,729,489)	20,653,706
Segment results	4,353,096	339,959	4,693,055	–	4,693,055
Loss arising from changes in fair value less costs to sell of biological assets					(4,311,969)
Share of losses of associates					(78,407)
Share of loss of a joint venture					(1,416)
Fair value gain on financial assets at FVTPL					1,572
Unallocated other income and expenses					(151,538)
Unallocated finance costs					(529,032)
Loss before tax					(377,735)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

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

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)	–
	15,100,802	6,863,090	21,963,892	(1,867,732)	20,096,160
Segment results	3,577,569	509,803	4,087,372	–	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					(622,456)
Loss before tax					(774,465)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the loss 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, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. 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
For the year ended December 31, 2025					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	707,926	49,356	757,282	8,177	765,459
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	643	44,987	45,630	–	45,630
Impairment loss of property, plant and equipment and right-of-use assets	37,328	10,813	48,141	–	48,141
(Gain)/Loss on termination of lease agreements and sublease	(584)	2	(582)	–	(582)
(Gain)/Loss on disposal of property, plant and equipment	(828)	3,414	2,586	–	2,586
Interest income	(3,533)	(14,785)	(18,318)	(4,071)	(22,389)
Finance costs	283,749	5,033	288,782	529,032	817,814
Income tax expense	480	57,087	57,567	–	57,567
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	5,819,889	59,847	5,879,736	–	5,879,736
Interests in associates	–	–	–	795,602	795,602
Interest in a joint venture	–	–	–	2,079	2,079
Share of losses of associates	–	–	–	78,407	78,407
Share of loss of a joint venture	–	–	–	1,416	1,416

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. 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
For the year ended December 31, 2024					
Amounts included in the measure of segment profit or loss:					
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
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
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

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

6. 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:

	2025 RMB'000	2024 RMB'000
Customer A:		
Revenue from sales of raw milk	15,471,328	14,322,781
Revenue from sales of feeds	133,654	139,749
Revenue from ruminant farming products	1,060	2,293
Revenue from breeding products	12,626	10,875
	15,618,668	14,475,698

7. COST OF SALES

An analysis of cost of sales is as follows:

	2025 RMB'000	2024 RMB'000
Cost of raw milk sold before fair value adjustments	10,529,041	10,156,340
Raw milk fair value adjustments	5,036,681	4,481,439
Cost of raw milk sold after fair value adjustments	15,565,722	14,637,779
Cost of feeds sold before forage grass fair value adjustments	3,510,383	3,736,992
Forage grass fair value adjustments	(16,355)	(12,530)
Cost of feeds sold after fair value adjustments	3,494,028	3,724,462
Cost of ruminant farming products sold	372,159	333,213
Cost of breeding products	88,426	86,625
Total cost of sales	19,520,335	18,782,079

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

8. OTHER INCOME

An analysis of other income is as follows:

	2025 RMB'000	2024 RMB'000
Government grants released from deferred income (Note 36)	118,604	84,819
Incentive subsidies (Note)	229,349	323,733
Rental income	14,046	16,557
Bank interest income	15,520	55,266
Interest income from Yili Group	6,869	9,603
Income from sale of scrap materials	9,189	11,730
Compensation income	11,111	32,858
Write-back of other payables	5,263	4,653
Others	19,216	10,151
	429,167	549,370

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.

9. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2025 RMB'000	2024 RMB'000
Impairment loss recognised on:		
Trade receivables	45,161	23,426
Other receivables	469	1,047
	45,630	24,473

Details of impairment assessments are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

10. OTHER GAINS AND LOSSES

	2025 RMB'000	2024 RMB'000
Foreign exchange differences, net	(2,826)	(1,178)
Loss on disposal of property, plant and equipment, net	(2,586)	(2,215)
Impairment loss recognised in respect of interests in an associate	–	(88,964)
Impairment loss on investment property	–	(14,209)
Fair value gain on financial assets at FVTPL	1,572	10,535
Reversal of provision relating to a civil litigation	5,574	–
Gain/(loss) on termination of lease agreements and sublease	582	(6,008)
Others	(456)	(113)
	1,860	(102,152)

11. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on:		
Bank and other borrowings	735,494	850,016
Other liabilities	–	190
Lease liabilities	88,475	75,211
Unwinding of the discount of other provisions	940	892
	824,909	926,309
Less: Amounts capitalised to construction in progress	(7,095)	(22,822)
	817,814	903,487

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

12. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	65,656	98,847
Over provision in prior periods:		
PRC EIT	(519)	(6,026)
Deferred tax (Note 23)	(7,570)	(5,799)
	57,567	87,022

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 (2024: 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, Muquan Yuanxing Feed, Ningxia Bio-Technology, Wulanchabu Muquan Yuanxing Feed and Bayannur Muquan Yuanxing Feed (as defined in Note 50) 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 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% (2024: 25%).

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, based on calculation and the best estimation, the management of the Group considered that the Group is not liable to top-up tax under the Pillar Two Rules.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

12. 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:

	2025 RMB'000	2024 RMB'000
Loss before tax	(377,735)	(774,465)
Tax at the statutory rate of 25% (2024: 25%)	(94,434)	(193,616)
Tax effect of expenses not deductible for tax purpose	5,406	4,508
Effect of PRC tax exemption granted to agricultural business	(116,995)	78,616
Preferential income tax rates applicable to PRC subsidiaries	(6,283)	(43,791)
Effect of tax exemption granted to the Company	88,239	113,911
Over provision in respect of prior periods	(519)	(6,026)
Tax effect of additional deduction on certain research and development expenses	(18,384)	(12,325)
Tax effect of share of loss of a joint venture	354	247
Tax effect of share of losses of associates	19,602	19,917
Tax effect of tax losses not recognised	201,416	127,108
Utilization of tax losses previously not recognized	(20,835)	(1,527)
Income tax expense	57,567	87,022

As at December 31, 2025, no deferred tax asset has been recognised in relation to the unused tax losses of the Group's PRC subsidiaries amounted to RMB1,992,771,000 (as at December 31, 2024: RMB1,339,466,000), as it is not probable that taxable profit will be available against which the tax losses can be utilized. The expiry dates of the unrecognised tax losses are disclosed in the following table:

	2025 RMB'000	2024 RMB'000
2025	–	69,017
2026	78,898	102,626
2027	198,905	199,313
2028	440,262	460,080
2029	469,043	508,430
2030	805,663	–
	1,992,771	1,339,466

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

13. LOSS FOR THE YEAR

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

	2025 RMB'000	2024 RMB'000
Depreciation of:		
Property, plant and equipment	1,213,570	1,143,153
Investment properties	–	1,531
Right-of-use assets	209,716	207,118
Amortisation of intangible assets	3,581	3,425
Total depreciation and amortisation	1,426,867	1,355,227
Less: Capitalised in biological assets	(579,154)	(559,977)
Capitalised in construction in progress	–	(1,467)
Capitalised in inventories	(82,254)	(93,861)
Depreciation and amortisation charged directly to profit or loss	765,459	699,922
Lease payments not included in the measurement of lease liabilities	65,526	51,829
Less: Capitalised in biological assets	(19,329)	(15,283)
Capitalised in inventories	(20,372)	(19,212)
	25,825	17,334
Auditors' remuneration	7,400	7,400
Research and development costs recognised in profit or loss	157,504	114,102
Employee benefits expense:		
Salaries and allowances	1,721,000	1,598,916
Retirement benefit scheme contributions	162,533	150,512
Total staff costs	1,883,533	1,749,428
Less: Capitalised in biological assets	(444,436)	(441,535)
	1,439,097	1,307,893

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14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors and the chief executive of the Company are as follows:

	Directors' fees RMB'000	Salaries and allowance RMB'000	Discretionary performance- related payments RMB'000 (Note (vi))	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2025:					
<i>Executive directors:</i>					
Mr. Yuan Jun (Note (i))	–	543	–	12	555
Mr. Hao Haijun (Note (i))	–	1,303	1,600	36	2,939
Mr. Dong Jiping	–	900	313	48	1,261
Ms. Meng Yilan (Note (ii))	–	305	64	36	405
<i>Non-executive directors:</i>					
Mr. Yang, Huicheng (Note (iii))	–	–	–	–	–
Mr. Xu Jun (Note (iii))	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei (Note (iii))	–	–	–	–	–
Mr. Bai Wenzhong (Note (iv))	–	–	–	–	–
Ms. Li Lin (Note (iv))	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong (Note (v))	99	–	–	–	99
Ms. Huang Lin (Note (v))	102	–	–	–	102
	601	3,051	1,977	132	5,761
Year ended December 31, 2024:					
<i>Executive directors:</i>					
Mr. Yuan Jun (Note (i))	–	2,463	1,600	44	4,107
Mr. Dong Jiping	–	676	313	44	1,033
<i>Non-executive directors:</i>					
Mr. Wu Xiang	–	–	–	–	–
Mr. Yang, Huicheng	–	–	–	–	–
Mr. Xu Jun (Note (iii))	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei (Note (iii))	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong (Note (v))	200	–	–	–	200
	600	3,139	1,913	88	5,740

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14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. Yuan Jun resigned as executive director, the chairman and the president of the Company on March 28, 2025. Mr. Hao Haijun was appointed as executive director, the chairman and president of the Company on March 28, 2025.
- (ii) Ms. Meng Yilan was appointed as executive director of the Company on March 28, 2025.
- (iii) Mr. Yang, Huicheng and Mr. Xu Jun resigned as non-executive director of the Company on June 27, 2025. Mr. Qiu Zhongwei resigned as non-executive director of the Company on March 28, 2025.
- (iv) Mr. Bai Wenzhong and Ms. Li Lin was appointed as non-executive director of the Company on June 27, 2025.
- (v) Mr. Shen Jianzhong resigned as independent non-executive directors of the Company on June 27, 2025. Ms. Huang Lin was appointed as independent non-executive directors of the Company on June 27, 2025.
- (vi) The discretionary performance-related payments are determined based on the performance of the directors and the Group.

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2024: one) director for the year ended December 31, 2025, details of whose remuneration are set out above. The emoluments of the remaining four (2024: four) individuals for the year ended December 31, 2025 are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	5,327	4,909
Performance related bonuses	2,264	2,042
Retirement benefit scheme contributions	193	177
	7,784	7,128

The number of the highest paid individuals who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2025	2024
HK\$1,500,001 to HK\$2,000,000	1	3
HK\$2,000,001 to HK\$2,500,000	3	1
	4	4

No remuneration was paid by the Group to any of the directors, the chief executive or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the year (2024: Nil). None of the directors and the chief executive has waived or agreed to waive any emoluments for the year (2024: Nil).

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For the year ended December 31, 2025

15. 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:

	2025 RMB'000	2024 RMB'000
Loss for the purpose of basic and diluted loss per share	(432,386)	(690,890)
	2025 '000	2024 '000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted loss per share	3,892,728	3,843,268

No diluted losses per share for the years ended December 31, 2024 and 2025 were presented as there were no potential ordinary shares in issue for both periods.

16. DIVIDEND

During the year ended December 31, 2025, no final dividend in respect of the year ended December 31, 2024 (during the year ended December 31, 2024: no final dividend in respect of the year ended December 31, 2023) 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, 2025, nor has any dividend been proposed since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Electronic equipment RMB'000	Bearer plants RMB'000	Construction in progress RMB'000	Total RMB'000
COST:								
At January 1, 2024	12,849,476	13,229	3,306,208	504,750	210,637	38,153	1,858,210	18,780,663
Additions	5,063	–	575,327	69,451	12,988	989	878,681	1,542,499
Disposals	(3,367)	–	(41,759)	(15,032)	(5,661)	(5,486)	–	(71,305)
Transfer	1,827,179	–	317,929	613	4,640	–	(2,150,361)	–
Transfer to investment properties (Note 18)	(14,497)	–	–	–	–	–	–	(14,497)
At December 31, 2024	14,663,854	13,229	4,157,705	559,782	222,604	33,656	586,530	20,237,360
Additions	8,666	–	251,170	48,601	3,917	–	389,648	702,002
Disposals	(5,898)	–	(83,006)	(10,861)	(29,676)	(4,621)	(1,936)	(135,998)
Transfer	709,021	–	51,481	3,571	(3,715)	–	(816,617)	(56,259)
At December 31, 2025	15,375,643	13,229	4,377,350	601,093	193,130	29,035	157,625	20,747,105
ACCUMULATED DEPRECIATION:								
At January 1, 2024	2,206,611	3,120	1,069,945	166,067	87,720	29,723	–	3,563,186
Provided for the year	659,636	561	396,611	58,627	26,125	1,593	–	1,143,153
Transfer to investment properties (Note 18)	(4,444)	–	–	–	–	–	–	(4,444)
Disposals	(1,545)	–	(37,608)	(13,853)	(5,403)	(1,735)	–	(60,144)
At December 31, 2024	2,860,258	3,681	1,428,948	210,841	108,442	29,581	–	4,641,751
Provided for the year	708,505	552	426,683	59,549	17,895	386	–	1,213,570
Transfer	(3,082)	–	(31,010)	–	–	–	–	(34,092)
Disposals	(2,939)	–	(73,558)	(10,295)	(28,184)	(1,450)	–	(116,426)
At December 31, 2025	3,562,742	4,233	1,751,063	260,095	98,153	28,517	–	5,704,803
ACCUMULATED IMPAIRMENT:								
At January 1, 2024	32,411	–	3,642	11	–	–	–	36,064
Provided for the year	400,516	–	83,426	7,962	–	–	1,310	493,214
Transfer to investment properties (Note 18)	(10,052)	–	–	–	–	–	–	(10,052)
Disposals	–	–	(439)	–	–	–	–	(439)
At December 31, 2024	422,875	–	86,629	7,973	–	–	1,310	518,787
Provided for the year	42,216	–	5,925	–	–	–	–	48,141
Transfer	(2,750)	–	(18,107)	–	–	–	(1,310)	(22,167)
Disposals	(251)	–	(1,555)	(71)	–	–	–	(1,877)
At December 31, 2025	462,090	–	72,892	7,902	–	–	–	542,884
CARRYING AMOUNTS:								
At December 31, 2025	11,350,811	8,996	2,553,395	333,096	94,977	518	157,625	14,499,418
At December 31, 2024	11,380,721	9,548	2,642,128	340,968	114,162	4,075	585,220	15,076,822

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment (other than construction in progress) after taking into account of their estimated residual values, are depreciated on a straight-line basis over the following periods:

Buildings	15 to 40 years
Leasehold improvements	Shorter of 5 to 10 years and the remaining terms of the lease
Machinery and equipment	5 to 10 years
Motor vehicles	5 to 10 years
Electronic equipment	5 years
Bearer plants (mainly alfalfa hay roots)	5 years

At December 31, 2025, building ownership certificates in respect of certain buildings of the Group with an aggregate carrying amount of RMB54,604,000 (as at December 31, 2024: RMB76,526,000) had not been issued by the relevant PRC authorities.

18. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
COST:		
At the beginning of the year	45,519	54,296
Transfer from property, plant and equipment (Note 17)	–	14,497
Disposals	–	(23,274)
At the end of the year	45,519	45,519
ACCUMULATED DEPRECIATION:		
At the beginning of the year	25,594	27,592
Provided for the year	–	1,531
Transfer from property, plant and equipment (Note 17)	–	4,444
Disposals	–	(7,973)
At the end of the year	25,594	25,594
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	17,649	8,259
Provided for the year	–	14,209
Transfer from property, plant and equipment (Note 17)	–	10,052
Disposals	–	(14,871)
At the end of the year	17,649	17,649

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18. INVESTMENT PROPERTIES *(Continued)*

	2025 RMB'000	2024 RMB'000
CARRYING AMOUNTS:		
At the beginning of the year	2,276	18,445
At the end of the year	2,276	2,276

The above investment properties are measured using the cost model and represent dairy farms located in Mainland China and are depreciated on a straight-line basis over 15 to 40 years.

19. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Properties RMB'000	Machinery and equipment RMB'000	Total RMB'000
Carrying amounts as at January 1, 2024	2,574,010	108,497	53,170	2,735,677
Additions	72,602	489,203	279	562,084
Early termination of lease agreements	(21,172)	(393)	–	(21,565)
Depreciation provided for the year	(174,539)	(28,923)	(3,656)	(207,118)
Sublease classified as a finance lease	(1,411)	–	–	(1,411)
Impairment	(19,636)	–	–	(19,636)
Carrying amounts as at December 31, 2024	2,429,854	568,384	49,793	3,048,031
Additions	129,067	102	2,014	131,183
Early termination of lease agreements	(23,139)	–	(960)	(24,099)
Depreciation provided for the year	(154,778)	(48,498)	(6,440)	(209,716)
Carrying amounts as at December 31, 2025	2,381,004	519,988	44,407	2,945,399

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19. RIGHT-OF-USE ASSETS *(Continued)*

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Expense relating to short-term leases*	47,888	39,526
Variable lease payments not included in the measurement of lease liabilities*(Note)	17,638	12,303
Total cash outflow for leases	253,674	245,527

* Before capitalisation to biological assets and inventories

Note:

Lease payments for certain machineries and equipment are variable payments, and determined based on the usage of the machineries and equipment, respectively, during the relevant lease periods.

The Group leases various lands, properties, machinery and equipment to operate its business. Lease contracts are entered into for fixed terms of 2 to 50 years. Lease terms are negotiated on an individual basis and contain different payment terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for motor vehicles, machinery and equipment and buildings. As at the end of the year, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

Lease liabilities of RMB2,244,231,000 (2024: RMB2,236,807,000) were recognised with related right-of-use assets with an aggregate carrying amount of RMB2,165,334,000 (2024: RMB2,284,409,000) as at December 31, 2025. These lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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20. GOODWILL

	2025 RMB'000	2024 RMB'000
COST:		
At the beginning and the end of the year	792,980	792,980
ACCUMULATED IMPAIRMENT:		
At the beginning and the end of the year	120,966	120,966
CARRYING AMOUNT:		
At the beginning and the end of the year	672,014	672,014

For the purpose of impairment testing, goodwill has been allocated to two individual cash-generating units ("CGUs"). The Group's goodwill of RMB762,741,000 arose from acquisition of Inner Mongolia SK Xing Reproductive Bio-Technology (Group) Co., Ltd. (內蒙古賽科星繁育生物技術(集團)股份有限公司) ("SKX", together with its subsidiaries existing prior to acquisition, collectively "SKX Group") in 2020, and RMB30,239,000 arose from acquisition of Fonterra (Yutian) Dairy Farm Co., Ltd. and Fonterra (Ying) Dairy Farm Co., Ltd. (collectively as "Fonterra China Farms Group") in 2021. SKX Group and Fonterra China Farms Group mainly engaged in dairy farming business in the raw milk business segment.

For the purpose of impairment testing, carrying amounts of goodwill (net of accumulated impairment losses), allocated to CGUs of SKX Group and Fonterra China Farms Group are RMB641,775,000 and RMB30,239,000 respectively.

The recoverable amount of the CGUs of SKX Group and Fonterra China Farms Group have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the CGUs covering the following 5 years. The discount rate used for the cash flow projection is the pre-tax rate of 12.4% (2024: 12.9%). The cash flows beyond the five-year period are extrapolated using 2.0% growth rate per annum (2024: 2.0%). Other key assumptions for the value in use calculations include selling price, volume of sale and gross profit margin which are determined based on the CGUs' past performance and management expectations for the market development.

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20. GOODWILL *(Continued)*

(i) SKX Group

During the year ended December 31, 2025 and 2024, management of the Group determines that there is no impairment on CGUs of SKX Group.

As at December 31, 2025, the recoverable amount of SKX Group exceeds its carrying amount by RMB324,620,000. If the discount rate was changed to 12.86%, the growth rate beyond the five-year period was changed to 1.36%, or the estimated selling prices for raw milk covering five-year period were reduced by 0.95%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount.

As at December 31, 2024, the recoverable amount of SKX Group exceeds its carrying amount by RMB39,744,000. If the discount rate was changed to 12.95%, or the growth rate beyond the five-year period was changed to 1.93%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount.

(ii) Fonterra China Farms Group

During the years ended December 31, 2025 and 2024, the management of the Group determines that there is no impairment on Fonterra China Farms Group.

The recoverable amount of Fonterra China Farms Group is significantly above its carrying amount. Management believes that any reasonably possible change in any of the assumptions would not result in an impairment.

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21. INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
COST:			
At January 1, 2024	31,522	733	32,255
Additions	4,787	–	4,787
Disposal	–	(733)	(733)
At December 31, 2024 and 2025	36,309	–	36,309
ACCUMULATED AMORTISATION:			
At January 1, 2024	6,387	690	7,077
Provided for the year	3,382	43	3,425
Disposal	–	(733)	(733)
At December 31, 2024	9,769	–	9,769
Provided for the year	3,581	–	3,581
At December 31, 2025	13,350	–	13,350
CARRYING AMOUNTS:			
At December 31, 2025	22,959	–	22,959
At December 31, 2024	26,540	–	26,540

The above intangible assets have finite useful lives, and are amortised on a straight-line basis over the following periods:

Computer software	10 years
Patents	10 to 15 years

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22. BIOLOGICAL ASSETS

A – Nature of activities

The biological assets of the Group are dairy cows held to produce raw milk (i.e. milkable cows, calves and heifers), feeder cattle, breeding stock and dairy goats. The quantity of the biological assets owned by the Group at the end of the reporting period is shown below:

	31/12/2025 Heads	31/12/2024 Heads
Dairy cows:		
Calves and heifers	278,388	296,660
Milkable cows	340,408	324,908
Feeder cattle	128	145
Breeding stock:		
Breeding bulls	206	112
Breeding goats, young male goats and male goat lambs	184	590
Dairy goats:		
Milkable goats	10,294	6,876
Young female goats and female goat lambs	9,638	12,288
Total	639,246	641,579

Milkable cows, calves and heifers are dairy cows of the Group for the purpose of production of raw milk and are classified as non-current assets. Feeder cattle mainly include calves for sale to external customers and is classified as current assets. Breeding bulls are for the purpose of production of breeding products, specifically frozen bovine semen and are classified as non-current assets. Breeding goats, young male goats and male goats lambs are maintained for breeding purposes and are classified as non-current assets. Milkable goats, young female goats and female goat lambs are dairy goats for the purpose of production of raw goat milk and are classified as non-current assets.

The Group is exposed to financial risks arising from changes in price of the raw milk and frozen bovine semen. The Group does not anticipate that the price of the raw milk and frozen bovine semen will decline significantly in the foreseeable future and the management of the Group is of the view that there is no available derivative or other contracts which the Group can enter into to manage the risk of a decline in the price of the raw milk and frozen bovine semen.

In general, heifers are inseminated when they reached approximately 14 months old. After an approximately 285-day pregnancy term, a calf is born and the dairy cow begins to produce raw milk and the lactation period begins. A milkable cow is typically milked for approximately 305 days to 340 days before approximately 60 days dry period. When a heifer begins to produce raw milk, it is transferred to the category of milkable cows based on the estimated fair value on the date of transfer.

The fair value of the dairy goats is determined with reference to the market prices of items with similar age, breed and genetic merit.

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22. BIOLOGICAL ASSETS (Continued)

A – Nature of activities (Continued)

The Group is exposed to a number of risks related to its biological assets as follows:

i. Regulatory and environmental risks

The Group is subject to laws and regulations in the location in which it operates breeding. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

ii. Climate, disease and other natural risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections and disease controls and surveys and insurance.

B – Quantity of the agricultural produce produced by the Group's biological assets

	Year ended 31/12/2025	Year ended 31/12/2024
Volume of raw milk produced for sale (Ton) (Note)	4,153,082	3,669,563
Volume of breeding products produced for sale (Straw/unit)	1,016,405	1,144,814

Note:

The raw milk produced comprises both cow's milk and goat's milk.

C – Value of biological assets

The fair values of biological assets at the end of the reporting period are set out below:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Dairy cows:		
Calves and heifers	5,600,192	6,294,224
Milkable cows	8,467,524	8,657,642
Feeder cattle	319	250
Breeding stock:		
Breeding bulls and others	256,914	122,995
Breeding goats, young male goats and male goat lambs	1,472	7,888
Dairy goats:		
Milkable goats	139,634	105,424
Young female goats and female goat lambs	117,372	176,780
Total	14,583,427	15,365,203
Less: current portion classified under current assets	(319)	(250)
Non-current portion classified under non-current assets	14,583,108	15,364,953

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22. BIOLOGICAL ASSETS (Continued)

C – Value of biological assets (Continued)

The movements in biological assets are set out below:

	Calves and heifers RMB'000	Milkable cows RMB'000	Breeding bulls and others RMB'000	Breeding goats young male goats male goats lamb RMB'000	Dairy goats RMB'000	Total non- current assets RMB'000	Feeder cattle RMB'000
At January 1, 2024	6,051,392	8,385,409	56,507	1,379	111,211	14,605,898	212
Purchase cost	-	-	1,574	244	90,718	92,536	-
Feeding and other related costs	5,249,105	-	18,631	1,094	34,578	5,303,408	8,055
Transfer	(5,062,875)	5,055,669	7,275	-	-	69	(69)
Decrease due to disposal/death	(71,022)	(647,992)	(2,679)	-	(92)	(721,785)	(1,761)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	127,624	(4,135,444)	41,687	5,171	45,789	(3,915,173)	(6,187)
At December 31, 2024	6,294,224	8,657,642	122,995	7,888	282,204	15,364,953	250
Purchase cost	-	-	2,050	-	-	2,050	-
Feeding and other related costs	5,059,509	-	19,970	10	48,191	5,127,680	14,918
Transfer	(5,271,487)	5,271,492	26	-	-	31	(31)
Decrease due to disposal/death	(390,323)	(1,210,367)	(5,629)	(1,115)	(2,326)	(1,609,760)	(4,695)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(91,731)	(4,251,243)	117,502	(5,311)	(71,063)	(4,301,846)	(10,123)
At December 31, 2025	5,600,192	8,467,524	256,914	1,472	257,006	14,583,108	319

The directors of the Company have engaged an independent valuer, Jones Lang LaSalle, independent qualified professional valuer which is not connected to the Group, to assist the Group in assessing the fair values of Group's biological assets. The independent valuer and the management of the Group held meetings periodically to discuss the valuation techniques and changes in market information to ensure the valuations have been performed properly. The valuation techniques used in the determination of fair values as well as the key inputs used in the valuation models are disclosed in Note 44.

The aggregate gain arising on initial recognition of agricultural produce (including raw milk, frozen bovine semen and forage grass) and the aggregate loss arising from the change in fair value less costs to sell of biological assets is analysed as follows:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5,020,326	4,468,909
Loss arising from changes in fair value less costs to sell of biological assets	(4,311,969)	(3,921,360)

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For the year ended December 31, 2025

23. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Deferred tax assets	53,504	46,778
Deferred tax liabilities	(10,696)	(11,449)
	42,808	35,329

The following are the major deferred tax liabilities and assets recognised and movements.

	ECL provision RMB'000	Impairment loss on assets RMB'000	Government grants RMB'000	Fair value adjustments RMB'000 (Note)	Lease liabilities RMB'000	Right of use assets RMB'000	Equity instruments at FVTOCI RMB'000	Tax loss RMB'000	Other provisions RMB'000	Total RMB'000
At January 1, 2024	9,684	4,351	4,352	(5,915)	1,427	(1,377)	15,574	-	-	28,096
Credited/(charged) to profit or loss	4,908	(3,637)	(105)	265	4,898	(4,422)	-	2,243	1,649	5,799
Credited to other comprehensive income	-	-	-	-	-	-	1,434	-	-	1,434
At December 31, 2024	14,592	714	4,247	(5,650)	6,325	(5,799)	17,008	2,243	1,649	35,329
Credited/(charged) to profit or loss	7,758	1,763	(158)	222	(441)	531	-	(456)	(1,649)	7,570
Charged to other comprehensive income	-	-	-	-	-	-	(91)	-	-	(91)
At December 31, 2025	22,350	2,477	4,089	(5,428)	5,884	(5,268)	16,917	1,787	-	42,808

Note:

The deferred tax liabilities for fair value adjustments related to the fair value adjustments of certain land use rights and property, plant and equipment upon acquisition of subsidiaries in 2016.

Pursuant to the EIT Law, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008. At December 31, 2025 no deferred tax liability (2024: none) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

As at December 31, 2025, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB8,069,355,000 (as at December 31, 2024: RMB7,665,901,000).

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24. INTERESTS IN ASSOCIATES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(320,163)	(241,756)
Exchange adjustments	105,299	124,178
Impairment	(87,920)	(88,964)
	795,602	891,844

Details of each of the Group's associates at the end of the reporting period are as follows:

	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest	Proportion of voting rights held by the Group	Principal activities
Wholesome Harvest Limited ("Wholesome")	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken")	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

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24. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS Accounting Standards.

The associate is accounted for using the equity method in these consolidated financial statements.

Wholesome:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Current assets	935,779	898,519
Non-current assets	3,988,616	4,209,646
Current liabilities	(2,744,800)	(2,738,781)
Non-current liabilities	(194,640)	(185,012)

	For the year ended December 31, 2025 RMB'000	For the year ended December 31, 2024 RMB'000
Revenue	1,955,381	1,871,418
Loss for the year	(199,417)	(227,620)
Total comprehensive expense for the year	(199,417)	(227,620)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Net assets of Wholesome	1,984,955	2,184,372
Proportion of the Group's ownership interest in Wholesome	27.16%	27.16%
The Group's share of net assets of Wholesome	539,114	593,275
Goodwill	83,472	82,428
Exchange difference	105,299	124,178
Carrying amount of the Group's interest in Wholesome	727,885	799,881

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25. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2025 RMB'000	31/12/2024 RMB'000
Unlisted equity investments in the PRC, at fair value	15,684	11,766

The above unlisted equity investments represent the Group's equity investment in certain private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI.

During the year, fair value gain of RMB4,018,000 was recorded and charged to other comprehensive income (2024: loss of RMB6,962,000).

26. INVENTORIES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Raw materials	3,928,869	4,095,576
Finished goods	52,012	145,862
Semi-finished goods	3,124	8,310
Breeding products	16,578	61,478
	4,000,583	4,311,226

27. TRADE RECEIVABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Trade receivables	780,089	766,343
Less: Allowance for credit losses	(119,644)	(74,700)
	660,445	691,643

Trade receivables from related parties are set out in Note 45.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

27. TRADE RECEIVABLES *(Continued)*

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
Within 90 days	571,886	571,639
90 days to 180 days	56,486	76,566
181 days to 1 year	30,828	32,730
Over 1 year	1,245	10,708
	660,445	691,643

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
Not yet past due	550,486	523,478
Past due less than 30 days	14,002	54,774
Past due more than 30 days but less than 90 days	34,511	55,778
Past due more than 90 days	61,446	57,613
	660,445	691,643

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.

Further details of impairment assessment of trade receivables under IFRS 9 are set out in Note 43.

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For the year ended December 31, 2025

28. CONTRACT ASSETS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Dairy farm equipment: Classified under current assets	543	800

As at January 1, 2024, contract assets amounted to RMB2,278,000.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Classified under current assets:		
Prepayments	105,044	151,252
Value-added tax recoverable	8,185	15,754
Deposits placed with brokers for commodity forward contracts	12	3,068
Rental receivables	1,893	1,679
Utility and other deposits	16,673	25,537
Compensation receivable	–	3,039
Advances to staff	1,690	1,552
Pledged receivable (Note)	–	16,651
Other receivables	7,691	4,425
	141,188	222,957
Less: Allowance for credit losses	(9,596)	(9,151)
	131,592	213,806
Classified under non-current assets:		
Pledged receivable (Note)	–	7,107
Finance lease receivables	–	298
Utility and other deposits	12,685	12,656
	12,685	20,061

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, 2025, all the above-mentioned bank borrowings had been repaid, and the corresponding dividends had been received.

Details of impairment assessment of other receivables under IFRS 9 are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Negotiable certificate of deposits with certain banks, at fair value	54,628	53,057

During 2025 and 2024, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. As at December 31, 2025, the deposits carry fixed-interest rate of 3.10% (December 31, 2024: 3.10%) per annum.

The directors of the Company determine the deposits are mainly for the trading purpose, which will be sold in the secondary market within one year, therefore the deposits are classified as current assets.

31. BANK BALANCES AND CASH, PLEDGED AND RESTRICTED BANK DEPOSITS AND TIME DEPOSITS

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.45% per annum as at December 31, 2025 (as at December 31, 2024: 0.10% to 1.61%).

Time deposits carry fixed interest rates which range from 1.30% to 1.60% per annum as at December 31, 2025 (as at December 31, 2024: nil). Among them, RMB344,000,000 will mature in January 2026, and RMB150,000,000 will mature in September 2026 (as at December 31, 2024: nil).

An analysis of pledged and restricted bank deposits is as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Deposits pledged to banks to secure banking facilities granted to the Group:		
Bank borrowings and Bills payable (Note 41)	34,840	6,287
Restricted bank deposits (Note)	68,465	124,467
	103,305	130,754
Less: classified under current assets	(83,678)	(115,821)
Non-current portion	19,627	14,933

Note:

The restricted bank deposits included deposits frozen under court orders in relation to ongoing litigations, deposits restricted to use for land rehabilitation and bank deposits that can be used only to finance the Group's investments in new dairy farms purpose.

The pledged and restricted bank deposits carry interest at rates ranging from 0.05% to 2.86% per annum as at December 31, 2025 (as at December 31, 2024: 0.10% to 3.03% per annum).

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For the year ended December 31, 2025

32. TRADE AND BILLS PAYABLES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Trade payables	1,792,646	1,758,139
Bills payable	353,583	517,715
	2,146,229	2,275,854

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

	31/12/2025 RMB'000	31/12/2024 RMB'000
Within 1 year	1,771,357	1,730,138
1 to 2 years	2,789	5,887
2 to 3 years	2,528	10,839
More than 3 years	15,972	11,275
	1,792,646	1,758,139

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

33. OTHER PAYABLES AND ACCRUALS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Payables for purchase of property, plant and equipment	564,066	791,218
Salaries and welfare payables	386,442	340,014
Deposits received from suppliers	174,740	153,616
Service and professional fee payables	180,758	178,759
Freight charges payables	80,962	89,668
Storage fee payables	12,553	9,739
Non-income tax related tax payables	40,764	13,819
Sundry payables and accrued expenses	83,391	63,870
	1,523,676	1,640,703

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34. CONTRACT LIABILITIES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Receipts in advance from customers for:		
Sales of raw milk	1,674	14
Sales of feeds	11,493	7,290
Sales of ruminant farming products	1,163	1,322
Sales of breeding products	2,557	2,163
Sales of feeder cattle	10,509	19,543
	27,396	30,332

As at January 1, 2024, contract liabilities amounted to RMB31,231,000.

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects the contract liabilities at the reporting period end will be recognised as revenue within one year.

Revenue recognised during the reporting period included the whole amount of contract liabilities at the beginning of the reporting period. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior years.

35. BANK AND OTHER BORROWINGS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Bank borrowings:		
Unsecured	22,846,002	23,169,645
Secured (Note (i))	382,516	856,388
Other borrowings (Note (ii))	183,320	230,369
	23,411,838	24,256,402
Fixed rate borrowing	965,168	6,659,568
Floating rate borrowing	22,446,670	17,596,834
	23,411,838	24,256,402
The carrying amounts of the above borrowings are repayable:		
Within one year	16,083,449	16,709,437
More than one year but within two years	2,665,276	2,108,005
More than two years but within five years	3,413,413	4,241,060
More than five years	1,249,700	1,197,900
	23,411,838	24,256,402
Less: Amounts due within one year shown under current liabilities	(16,083,449)	(16,709,437)
Amounts shown under non-current liabilities	7,328,389	7,546,965

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35. BANK AND OTHER BORROWINGS *(Continued)*

The ranges of effective interest rates of the Group's borrowings are as follows:

	2025 %	2024 %
Effective interest rates:		
Floating rate borrowing	1.65 to 5.81	1.92 to 6.80
Fixed rate borrowing	1.98 to 3.00	2.00 to 3.91

Interest rate of variable-rate borrowings are determined based on the borrowing rates announced by the People's Bank of China ("PBOC") and Secured Overnight Financing Rate ("SOFR").

Notes:

(i) The secured bank borrowings of the Group as at December 31, 2025 are secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group. Among these, the bank borrowings obtained by pledging 51.73% of the SKX equity has been fully repaid in 2025, and the corresponding shares have been released from pledge.

(ii) On August 30, 2022, the Group received a borrowing from the local government of approximately RMB216 million to finance the Group's investments in new dairy farms. The borrowing bears no interest in the first two years and bears a fixed interest of 2% per annum from the third year to the maturity date. The government loan with below-market rates of interest is initially measured at fair value based on prevailing market interest rate and the difference between proceeds received and the fair value of the loan is treated as a government grant.

On September 23, 2023, the Group received a borrowing from the local government of approximately RMB55 million to finance the capital expenditures of new dairy farms. The borrowing bears a fixed interest of 2.5% per annum to the maturity date.

(iii) In respect of bank borrowings with carrying amount of RMB1.93 billion as at December 31, 2024, certain subsidiaries of the Group breached certain financial covenants of the bank borrowings, primarily related to the debt-to-asset ratio of the subsidiaries which have newly built dairy farms and not yet generated revenue. As at 31 December 2024, the long-term bank borrowings involved was classified as current liabilities in the consolidated statement of financial position.

During the current year, as the financial covenant terms of the long-term borrowings were not breached, the long-term borrowings was not reclassified as a current liability. No subsequent events that suggest the Group may have difficulty complying with its bank borrowing covenants.

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36. DEFERRED INCOME

	2025 RMB'000	2024 RMB'000
Balance at beginning of the year	814,900	728,211
Government grants received	203,177	171,963
Released to other income (Note 8)	(118,604)	(84,819)
Released to finance cost	(1,365)	(455)
Balance at end of the year	898,108	814,900

Deferred income arising from government grants of the Group mainly represents:

- (i) the government grants received for capital expenditure incurred for the acquisition of property, plant and equipment and right-of-use assets. The amounts are deferred and are credited to the profit or loss on a systematic basis over the useful lives of the related assets.
- (ii) the government grants related to income mainly include scientific research projects such as germplasm improvement and high-yield cattle breeding. They are recognized in profit or loss on a systematic basis over the periods in which the related research and development expenses are incurred.

37. LEASE LIABILITIES

	31/12/2025 RMB'000	31/12/2024 RMB'000
Lease liabilities payable:		
Within one year	300,014	248,410
Within a period of more than one year but not more than two years	169,320	328,183
Within a period of more than two years but not more than five years	391,490	361,685
Within a period of more than five years	1,383,407	1,298,529
	2,244,231	2,236,807
Less: Amount due for settlement within 12 months shown under current liabilities	(300,014)	(248,410)
Amount due for settlement after 12 months shown under non-current liabilities	1,944,217	1,988,397

The Group leases lands, properties, machinery and equipment to operate its dairy farm business and these lease liabilities were measured at the present value of the lease payments that are not yet paid. As at December 31, 2025, the weighted average incremental borrowing rate applied ranging from 2.57% to 5.25% (2024: 2.60% to 5.25%) per annum.

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The lease liabilities of the Group were unguaranteed and secured by rental deposits.

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38. OTHER PROVISIONS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Classified under current liabilities		
Provisions for arbitration regarding the adjustments made to the consideration for acquisition of SKX Group	19,807	19,807
Provision for litigations	–	6,596
	19,807	26,403
Classified under non-current liability:		
Provision for land rehabilitation	26,251	25,311
	26,251	25,311

39. SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
At January 1, 2024, December 31, 2024 and 2025	10,000,000,000	100,000	691
Issued and fully paid:			
At January 1, 2024	3,795,404,000	37,954	251
Issue of shares	97,323,833	973	7
At December 31, 2024 and 2025	3,892,727,833	38,927	258

40. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the PRC government. The PRC subsidiaries are required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit schemes during the year are disclosed in Note 13. At December 31, 2025 and 2024, the Group had no forfeited contributions under the above retirement benefit scheme which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at December 31, 2025 and 2024 under such scheme which may be used by the Group to reduce the contribution payable in future years.

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41. PLEDGE OF ASSETS

Certain of the Group's bank borrowings and bills payable had been secured by 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group and certain assets with carrying amounts as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Pledged bank deposits (Note 31)	34,840	6,287
	34,840	6,287

42. CATEGORIES OF FINANCIAL INSTRUMENTS

	31/12/2025 RMB'000	31/12/2024 RMB'000
Financial assets		
Financial assets at amortised cost	4,564,441	3,854,257
Equity instruments at FVTOCI	15,684	11,766
Debt instruments at FVTOCI	500	–
Financial assets at FVTPL	54,628	53,057
Financial liabilities		
Financial liabilities at amortised cost	26,819,251	27,971,086

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and bills receivable, deposits and other receivables, pledged and restricted bank deposits, bank balances and cash, time deposits, amounts due from/to related parties, deposits placed with a related party, equity instruments at FVTOCI, financial assets at FVTPL, trade and bills payables, other payables and accruals, bank and other borrowings and lease liabilities. Details of these financial liabilities are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from monetary assets and liabilities denominated in foreign currencies.

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

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

The carrying amounts of the Group's foreign currency denominated monetary items including intra-group balances at the end of the reporting period are as follows:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Assets:		
Bank balances denominated in USD	1,931	3,393
Bank balances denominated in HK\$	70	104
Liabilities:		
Intra-group balances of the Company denominated in RMB	44,553	44,490

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

No sensitivity analysis is presented as the directors of the Company consider that the impact on profit or loss during the reporting period is insignificant, taking into account the carrying amount of monetary items that are denominated in a foreign currency.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Market risk *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to negotiable certificate of deposits (Note 30), fixed-rate pledged and restricted bank deposits, fixed-rate bank borrowings and other borrowings (Note 35), lease liabilities (Note 37). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate pledged and restricted bank deposits, deposits placed with a related party (Note 45) and variable-rate bank borrowings (Note 35). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates quoted by PBOC arising from the Group's RMB denominated borrowings and SOFR arising from the Group's USD denominated borrowings.

The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used during the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances, variable-rate pledged and restricted bank deposits and deposits placed with a related party are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and deposits is insignificant during the year.

If interest rates on variable rate borrowings had been 50 basis points higher/lower and all other variables were held constant (without taking into account the effect of interest capitalisation), the Group's post-tax loss for the year ended December 31, 2025 would increase/decrease by RMB111,686,000 (2024: increase/decrease by RMB87,787,000).

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Except for negotiable certificate of deposits measured at FVTPL, the Group performs impairment assessment under ECL model on financial assets and contract assets individually and/or collectively using a provision matrix with appropriate groupings.

Trade receivables and contract assets arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality of customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables balances and contract assets individually and/or collectively using a provision matrix, of which these receivables are grouped based on shared credit risk characteristics by reference to aging for the customers. Details of the quantitative disclosures are set out below in this note.

Amounts due from related parties

The receivables from related parties are trade in nature and mostly related to the sales of raw milk and feeds to a shareholder (Note 45). Payments are generally due in two weeks after delivery and there is no history of default. The directors of the Company believe that the failure of the shareholder to make required payments is unlikely after considering its past settlement records and financial position.

Other than concentration of credit risk on trade and other receivables from a related party of RMB1,359,558,000 as at December 31, 2025 (as at December 31, 2024: RMB1,347,249,000), the Group's trade receivables consist of a large number of customers and does not have any other significant concentration of credit risk.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative or qualitative information that is reasonable and supportive forward-looking information. Details of the quantitative disclosures are set out below in this note.

Bills receivable

The Group only accepts bank acceptance bills issued by reputable PRC banks. The management of the Group considers the credit risk arising from the bills is insignificant.

Bank balances, pledged and restricted bank deposits, time deposits and deposits placed with a related party

The credit risk on bank balances, pledged and restricted bank deposits, time deposits and deposits placed with a related party of the Group is limited because the counterparties are banks or other financial institutions with good reputation in the PRC.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Descriptions	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	N/A	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

				Gross carrying amount as at December 31,	
Notes				2025 RMB'000	2024 RMB'000
Financial assets at amortised cost					
Trade receivables (Note)	27	Low risk	Lifetime ECL (provision matrix)	578,582	633,043
		Loss	Credit-impaired (assessed individually)	201,507	133,300
				780,089	766,343
Deposits and other receivables	29	Low risk	12-month ECL	29,358	62,270
		Loss	Credit-impaired	9,596	9,151
				38,954	71,421
Amounts due from related parties – trade receivables	45	Low risk	Lifetime ECL (assessed individually)	1,360,785	1,354,848
Amounts due from related parties – other receivables	45	Low risk	12-month ECL	3,379	73
Pledged and restricted bank deposits	31	Low risk	12-month ECL	103,305	130,754
Bank balances and cash	31	Low risk	12-month ECL	1,197,221	829,310
Time deposits		Low risk	12-month ECL	494,000	–
Deposits placed with a related party	45	Low risk	12-month ECL	715,948	785,359
Debt instruments at FVTOCI					
Bills receivable		Low risk	12-month ECL	500	–
Other item					
Contract assets (Note)	28	Low risk	Lifetime ECL (provision matrix)	543	800

Note: For trade receivables, amounts due from related parties (trade in nature) and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, which are assessed individually, the Group determines the expected credit losses on trade receivables and contract assets by using a provision matrix, by reference to the aging of outstanding balances, as these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table provides information about the exposure to credit risk for trade receivables which are assessed collectively based on a provision matrix of aging information.

	31/12/2025 RMB'000	31/12/2024 RMB'000
Within 90 days	524,383	552,697
90 days to 1 year	54,199	80,346
Total	578,582	633,043

The average loss rate as at December 31, 2025 is ranging from 1.34% to 18.78% (2024: 1.54% to 7.52%) which are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables measured at amortised cost under the simplified approach.

	Lifetime ECL (Not credit- impaired) RMB'000	Lifetime ECL (Credit- impaired) RMB'000	Total RMB'000
As at January 1, 2024	13,476	41,922	55,398
Changes for trade receivables recognised as at January 1, 2024:			
Impairment loss recognised	–	60,422	60,422
Impairment loss reversed	(11,003)	(37,798)	(48,801)
Write-offs	–	(4,124)	(4,124)
Transfer	(2,473)	2,473	–
New trade receivables originated	10,314	1,491	11,805
As at December 31, 2024	10,314	64,386	74,700
Changes for trade receivables recognised as at January 1, 2025:			
Impairment loss recognised	–	96,834	96,834
Impairment loss reversed	(6,966)	(59,760)	(66,726)
Write-offs	–	(217)	(217)
Transfer	(3,348)	3,348	–
New trade receivables originated	7,753	7,300	15,053
As at December 31, 2025	7,753	111,891	119,644

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For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk and impairment assessment *(Continued)*

During the year ended December 31, 2025, the Group provided RMB787,000 (2024: reversed RMB689,000) impairment allowance for trade receivables based on the provision matrix. Additional impairment allowance of RMB44,374,000 (2024: RMB24,115,000) were assessed individually and provided on credit-impaired debtors for the year ended December 31, 2025.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

During the year, the exposure to credit risk of contract assets assessed based on provision matrix is insignificant.

The following table shows the movement in ECL that has been recognised for deposits and other receivables measured at amortised cost.

	Lifetime ECL (credit-impaired) RMB'000
As at January 1, 2024	8,310
Changes for other receivables recognised as at January 1, 2024:	
Impairment loss recognised	1,218
Impairment loss reversed	(171)
Write-offs	(206)
As at December 31, 2024	9,151
Changes for other receivables recognised as at January 1, 2025:	
Impairment loss recognised	674
Impairment loss reversed	(205)
Write-offs	(24)
As at December 31, 2025	9,596

The Group writes off the deposits and other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the other receivables are over two years past due, whichever occurs earlier.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with covenants.

The Group had net current liabilities of RMB11,612,573,000 as at December 31, 2025, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the directors of the Company regularly monitor the operating cash flows of the Group to meet its liquidity requirement in the short and long term. The Group's net current liabilities position as at December 31, 2025 was mainly attributable to bank and other borrowings.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance, including unutilised banking facilities and the subsequent equity financing, in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows during the year.

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from December 31, 2025. 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 banking facilities obtained, renewal of certain bank borrowings and the subsequent equity financing. The directors of the Company, after taking into account the reasonably possible changes in the operational performance and the availability of borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due.

The following table sets out the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

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For the year ended December 31, 2025

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Weighted average interest rate %	On-demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2025							
Trade and bills payables	–	2,146,229	–	–	–	2,146,229	2,146,229
Other payables and accruals	–	1,096,470	–	–	–	1,096,470	1,096,470
Amounts due to related parties	–	204,097	–	–	–	204,097	204,097
Bank and other borrowings:							
Fixed-rate	1.98-3.00	791,782	4,002	19,043	164,101	978,928	965,168
Floating-rate	1.65-5.81	15,834,599	2,877,679	3,633,406	1,128,785	23,474,469	22,446,670
Lease liabilities	2.57-5.25	305,445	318,603	494,856	2,433,369	3,552,273	2,244,231
		20,378,622	3,200,284	4,147,305	3,726,255	31,452,466	29,102,865
As at December 31, 2024							
Trade and bills payables	–	2,275,854	–	–	–	2,275,854	2,275,854
Other payables and accruals	–	1,286,870	–	–	–	1,286,870	1,286,870
Amounts due to related parties	–	151,960	–	–	–	151,960	151,960
Bank and other borrowings:							
Fixed-rate	2.00-3.91	5,955,065	286,812	390,952	156,569	6,789,398	6,659,568
Floating-rate	1.92-6.80	11,363,913	2,047,889	4,129,811	1,087,936	18,629,549	17,596,834
Lease liabilities	2.60-5.25	253,100	356,728	456,521	2,288,561	3,354,910	2,236,807
		21,286,762	2,691,429	4,977,284	3,533,066	32,488,541	30,207,893

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports its findings to the board of directors of the Company to explain the cause of fluctuations in the fair value.

Fair values are categorised into different fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (significant unobservable input).

The Group's biological assets and certain of the Group's financial assets are measured at fair value on a recurring basis at the end of the reporting period. The following table gives information about how the fair values of these biological assets and financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS (Continued)

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2025				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	–	–	5,600,192	5,600,192
Milkable cows (Note (b))	–	–	8,467,524	8,467,524
Feeder cattle	–	–	319	319
Breeding bulls and others (Note (c))	–	–	256,914	256,914
Dairy goats (Note (d))	–	–	257,006	257,006
Breeding goats, young male goats and male goat lambs	–	–	1,472	1,472
Debt instruments at FVTOCI	–	500	–	500
Equity instruments at FVTOCI (Note (e))	–	–	15,684	15,684
Financial assets at FVTPL (Note (f))	–	54,628	–	54,628
	–	55,128	14,599,111	14,654,239

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2024				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	–	–	6,294,224	6,294,224
Milkable cows (Note (b))	–	–	8,657,642	8,657,642
Feeder cattle	–	–	250	250
Breeding bulls and others (Note (c))	–	–	122,995	122,995
Dairy goats (Note (d))	–	–	282,204	282,204
Breeding goats, young male goats and male goat lambs	–	–	7,888	7,888
Equity instruments at FVTOCI (Note (e))	–	–	11,766	11,766
Financial assets at FVTPL (Note (f))	–	53,057	–	53,057
	–	53,057	15,376,969	15,430,026

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS *(Continued)*

There were no transfers between Level 1 and 2 and there were no transfers into or out of Level 3 during the year.

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(a)	Biological assets – Calves and heifers	The fair value of 14 months old heifers is determined by reference to the local market selling price. The fair values of calves and heifers at age-group less than 14 months are determined by subtracting the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period to 14 months plus the margins that would normally be required by a raiser. Conversely, the fair values of heifers at age group older than 14 months are determined by adding the estimated feeding costs required to raise the heifers from 14 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser.	Estimated local market selling prices of the heifers of 14 months old are RMB22,100 to RMB23,550 per head as at December 31, 2025 (December 31, 2024: RMB22,600 to RMB24,500). Estimated feeding costs per head plus margin that would normally be required by a raiser for calves and heifers younger than 14 months old (i.e. from born to 14 months) are ranging from RMB17,918 to RMB20,750 as at December 31, 2025 (December 31, 2024: RMB18,475 to RMB20,727). Estimated feeding costs per head plus margin that would normally be required by a raiser for heifers older than 14 months old are ranging from RMB13,803 to RMB16,292 as at December 31, 2025 (December 31, 2024: RMB14,225 to RMB17,752).	An increase in the estimated local market selling price used would result in an increase in the fair value measurement of calves and heifers, and vice versa. An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of calves and heifers older/younger than 14 months old, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(b)	Biological assets – Milkable cows	The fair values of milkable cows are 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.	Estimated feed costs per kg of raw milk used in the valuation are ranging from RMB1.88 to RMB2.70 as at December 31, 2025 (December 31, 2024: RMB2.00 to RMB2.85), taking into account management's experience and knowledge of market conditions. A milkable cow could have as many as six lactation cycles. Estimated daily milk yield at each lactation cycle is ranging from 17.80 kg to 39.74 kg as at December 31, 2025 (December 31, 2024: 17.22 kg to 36.69 kg), depending on the number of the lactation cycles and the individual physical condition. Estimated local future market prices for raw milk are ranging from RMB3,346 to RMB5,729 per tonne as at December 31, 2025 (December 31, 2024: RMB3,580 to RMB5,810 per tonne), taking into account management's experience and knowledge of market conditions. Discount rate for estimated future cash flows used is 12.4% as at December 31, 2025 (December 31, 2024: 12.9%), taking into account weighted average cost of capital determined using a capital asset pricing model.	An increase in the estimated feed costs per kg of raw milk used would result in a decrease in the fair value measurement of the milkable cows, and vice versa. An increase in the estimated daily milk yield per head used would result in an increase in the fair value measurement of milkable cows, and vice versa. An increase in the estimated average selling price of raw milk would result in an increase in the fair value measurement of milkable cows, and vice versa. An increase in the estimated discount rate used would result in a decrease in the fair value measurement of milkable cows, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(c)	Biological assets – Breeding bulls	The fair values of breeding bulls are determined by using the multi-period excess earnings method, which is based on the discounted future cash flows to be generated by such breeding bulls.	The estimated feed costs per day per bull used in the valuation are RMB39 as at December 31, 2025 (December 31, 2024: RMB48 per day) based on the historical average feed costs per day of breeding bulls taking into account management's experience and knowledge of market conditions. Estimated local future market prices for sex-sorting frozen bovine semen are RMB147 per straw as at December 31, 2025 (December 31, 2024: RMB139 per straw). Estimated local future market prices for conventional frozen bovine semen are RMB28 per straw as at December 31, 2025 (December 31, 2024: RMB24 per straw). Discount rate for estimated future cash flow used is 12.4% as at December 31, 2025 (December 31, 2024: 12.9%) taking into account weighted average cost of capital determined using a capital asset pricing model.	An increase in the estimated feed costs per day of breeding bulls used would result in a decrease in the fair value measurement of the breeding bulls, and vice versa. An increase in the estimated selling price of frozen dairy bovine semen used would result in an increase in the fair value measurement of breeding bulls, and vice versa. An increase in the estimated discount rate used would result in a decrease in the fair value measurement of breeding bulls, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(d)	Biological assets – Dairy goats	The fair value of 8 months old dairy goats is determined by reference to the market selling price. The fair values of dairy goats at age group less than 8 months are determined by subtracting the estimated feeding costs required to raise the dairy goats from their respective age at the end of the reporting period to 8 months plus the margins that would normally be required by a raiser. Conversely, the fair values of dairy goats at age group of 8 to 13 months are determined by adding the estimated feeding costs required to raise the dairy goats from 8 months old to their respective age at the end of the reporting period plus the margins that would normally be required by a raiser. The fair value of the dairy goats older than 13 months (after milk production) are determined by amortising the fair value at 13 months over five lactations after considering the culling price.	Estimated market selling prices of the dairy goats of 8 months old are RMB11,213 per head as at December 31, 2025 (December 31, 2024: RMB11,213). Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats younger than 8 months old (i.e. from born to 8 months) are RMB3,504 as at December 31, 2025 (December 31, 2024: RMB3,279). Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats older than 8 months old are RMB3,927 as at December 31, 2025 (December 31, 2024: RMB4,119).	An increase in the estimated local market selling price used would result in an increase in the fair value measurement of dairy goats, and vice versa. An increase in the estimated feeding costs plus the margin that would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of dairy goats older/younger than 8 months old, and vice versa.

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For the year ended December 31, 2025

44. FAIR VALUE MEASUREMENTS *(Continued)*

Notes	Assets	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inter-relationship between significant unobservable inputs and fair value measurements
(e)	Equity instruments at FVTOCI	Market approach	Fair value is estimated based on value of comparable listed companies and discount for lack of liquidity.	An increase in the discount for lack of liquidity would result in a decrease in the fair value measurement of the unquoted equity investments, and vice versa. If the discount for lack of liquidity increase by 1%, the estimated fair value of equity instruments at FVTOCI will decrease by RMB189,000 as at December 31, 2025 (December 31, 2024: RMB35,000), vice versa.
(f)	Financial assets at FVTPL: Negotiable certificate of deposits	Discount cash flow method was used to capture the present value of the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.	N/A	N/A

Notes to the Consolidated Financial Statements

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44. FAIR VALUE MEASUREMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements

The reconciliations for biological assets are set out in Note 22. The reconciliations for financial assets under Level 3 fair value measurements are as follows:

	Equity instruments at FVTOCI RMB'000
At January 1, 2024	18,728
Fair value changes during the year	(6,962)
At December 31, 2024	11,766
Fair value changes during the year	4,018
Decrease due to disposal	(100)
At December 31, 2025	15,684

The fair value changes for equity instruments at FVTOCI during the year ended December 31, 2025 is reported as changes under "investment revaluation reserve".

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the consolidated financial statements approximate their fair value.

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45. RELATED PARTY TRANSACTIONS

The Group had the following material transactions and balances with Inner Mongolia Yili Industrial Group Co., Ltd. ("Yili", together with its subsidiaries, collectively "Yili Group"), a major shareholder of the Group and Jiangsu Nongken, an associate of the Group.

Transactions with Yili Group for the year

	Notes	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Sales of raw milk to Yili Group	(a)	15,471,328	14,322,781
Sales of feeds to Yili Group	(a)	133,654	139,749
Sales of ruminant farming products to Yili Group	(a)	1,060	2,293
Sales of breeding products to Yili Group	(a)	12,626	10,875
Purchase of dairy products from Yili Group	(a)	55,160	48,099
Purchase of shared financial services from Yili Group	(b)	9,939	10,765
Purchase of other service and materials from Yili Group		5,164	4,920
Purchase of transportation service from Yili Group	(g)	110,534	–
Purchase of customs clearance warehousing service from Yili Group		2,099	–
Other service to Yili Group	(a)	7,455	3,296
Interest income from Yili Group	(f)	6,869	9,603

Transactions with Jiangsu Nongken

	Notes	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Sales of feeds to Jiangsu Nongken	(a)	34,116	35,362
Sales of breeding products to Jiangsu Nongken	(a)	1,120	1,370
Sales of ruminant farming products to Jiangsu Nongken	(a)	1,486	780
Other service to Jiangsu Nongken	(a)	215	207

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

45. RELATED PARTY TRANSACTIONS *(Continued)*

Balances with Yili Group

	Notes	31/12/2025 RMB'000	31/12/2024 RMB'000
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,356,252	1,347,249
Other receivables from Yili Group		3,306	–
Prepayments to Yili Group	(g)	5,144	–
		1,364,702	1,347,249
Amounts due to related parties:			
Trade payables to Yili Group	(d)	25,698	12,899
Trade payables to suppliers factored to Yili Group	(e)	138,176	139,061
Other payables to Yili Group	(g)	840	–
Advance from Yili Group	(h)	39,383	–
		204,097	151,960
Deposits placed with Yili Finance Company Limited	(f)	715,948	785,359

Balances with Jiangsu Nongken

	Note	31/12/2025 RMB'000	31/12/2024 RMB'000
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	4,533	7,599
Other receivables from Jiangsu Nongken		73	73
		4,606	7,672

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For the year ended December 31, 2025

45. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (a) The above sale and purchase transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved, and the prices are mainly determined based on prices offered to independent third parties.
- (b) The Group entered into the shared financial services agreement with Yili Group in 2022. Pursuant to the agreement, Yili Group provided accounting related shared financial services to the Group. The service fee is determined using cost-plus basis, being the total costs incurred by Yili Group in respect of the provision of the shared financial services plus a fixed percentage of 5%, to cover costs and expenses, such as personnel and maintenance.
- (c) The trade receivables are mainly related to the sale of raw milk to Yili Group and sales of feeds to Jiangsu Nongken. As at December 31, 2025, trade receivables from related parties are aged within 90 days based on the date of delivery.
- (d) The trade payables are related to the purchase of dairy products from Yili Group, which aged within one year at the end of the reporting period.
- (e) During years ended December 31, 2025 and 2024, certain suppliers discounted their trade receivables from the Group to the financial institution of Yili Group and got payments earlier than the due date. The Group then received the payment notice confirmed by the suppliers and the financial institution of Yili Group, according to which the Group is required to pay the debts to the financial institution of Yili Group directly.
- (f) The Group entered into the financial services agreement with Yili Finance Company Limited, a subsidiary of Yili Group which has financial institution license. Pursuant to the agreement, Yili Finance Company Limited provided deposit service to the Group. The interest rates are determined according to and shall not be lower than the benchmark deposit rates prescribed by the PBOC and the deposit rates offered by the major commercial banks in the PRC.
- (g) The Group entered into a Logistics and Operation Support Services Framework Agreement with Inner Mongolia Yishun Supply-chain Management Co., Ltd. ("Yishun"), a wholly-owned subsidiary of Yili Group, on August 22, 2025, under which Yishun Group will provide logistics services and operation support services to the Group. The agreement is effective from August 22, 2025 to December 31, 2027. Pricing is determined through tendering where applicable, or based on comparable market prices from independent third parties, ensuring terms are no less favourable than those available from unrelated parties.
- (h) Announcement by the Group on August 22, 2025, the Group entered into the New Research Center Sale and Purchase Agreement with Yili Group, to sell the Ruminant Nutrition and Health Technology Research Center. The Group is responsible for the full development and construction of the center. Upon completion and obtaining statutory acceptance certification, the final consideration will be determined by a jointly appointed independent third-party valuation firm, and Yili Group will acquire the Center at the appraised value. During construction, Yili Group will make monthly advance payments based on progress, which was recorded in the amount due to related parties. The center is under construction as of 2025, and the related construction cost of RMB21,699,000 is recorded in other non-current assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

45. RELATED PARTY TRANSACTIONS *(Continued)*

Settlement arrangements with Yili Group

	Note	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(i)	719,075	575,396

Note:

- (i) Certain customers (the "Overlapping Parties") who purchase feeds and breeding products from the Group are also raw milk suppliers of Yili Group. The Group, Yili Group and the Overlapping Parties have entered into an entrusted payment arrangement (the "Entrusted Payment Arrangement"), pursuant to which Yili Group would deduct the amount payable to the Group by the Overlapping Parties (the "Feeds and Breeding Products Payments") from the payments made to the Overlapping Parties by Yili Group, and pay the Feeds and Breeding Products Payments to the Group directly. The directors of the Company consider that the Entrusted Payment Arrangement is an industry norm in dairy farming products industry in the PRC to simplify the payment procedures.

Compensation to key management personnel

The remuneration of key management personnel, including members of the board of directors and other members of senior management of the Group was as follows:

	Year ended 31/12/2025 RMB'000	Year ended 31/12/2024 RMB'000
Salaries and allowances	18,448	18,631
Retirement benefit scheme contributions	573	506
	19,021	19,137

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

46. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 (Note 37)	Bank and other borrowings RMB'000 (Note 35)	Other liabilities RMB'000	Total RMB'000
At January 1, 2024	1,822,701	26,259,588	7,310	28,089,599
Financing cash flows	(169,331)	(2,935,701)	(7,500)	(3,112,532)
New leases entered	531,646	–	–	531,646
Finance costs	75,211	850,016	190	925,417
Early termination of lease agreements	(23,420)	–	–	(23,420)
Effect of foreign exchange rate changes	–	82,499	–	82,499
At December 31, 2024	2,236,807	24,256,402	–	26,493,209
Financing cash flows	(176,155)	(1,449,688)	–	(1,625,843)
New leases entered	120,998	–	–	120,998
Finance costs	88,475	735,494	–	823,969
Early termination of lease agreements	(25,894)	–	–	(25,894)
Effect of foreign exchange rate changes	–	(130,370)	–	(130,370)
At December 31, 2025	2,244,231	23,411,838	–	25,656,069

Major non-cash transactions

Lease liabilities for leasehold lands, properties, machinery and equipment with a total amount of RMB121,194,000 (2024: RMB531,646,000) were recognised and the corresponding amount of RMB143,837,000 (2024: RMB531,646,000) were recognised as right-of-use assets during the year ended December 31, 2025.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a whole maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings as disclosed in Note 35, respectively, net of bank balances and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves as disclosed in the consolidated statement of changes in equity.

The management of the Group reviews the capital structure on a continuous basis. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through new share issues as well as the issue of new debts or the redemption of existing debts.

48. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	31/12/2025 RMB'000	31/12/2024 RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment:		
Contracted but not provided in the consolidated financial statements	348,028	949,230

49. CONTINGENT LIABILITIES

At the end of this reporting period, the Group had no significant contingent liability.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

At the end of the reporting period, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
Yogurt Holding II Limited	British Virgin Island ("BVI")	BVI	USD100	100	100	Investment holding
Yogurt Holding I (HK) Limited	Hong Kong	Hong Kong	USD13	100	100	Investment holding
內蒙古優然牧業有限責任公司 (Inner Mongolia Youran Dairy Co., Ltd. *) ("Inner Mongolia Youran")	PRC	PRC	RMB9,700,000,000	100	100	Investment holding, raising and breeding dairy cows, and raw milk production
內蒙古牧泉元興飼料有限責任公司 (Inner Mongolia Muquan Yuanxing Feed Co., Ltd. *) ("Muquan Yuanxing Feed")	PRC	PRC	RMB136,000,000	100	100	Production and sales of feeds
內蒙古盛德和泰商貿有限責任公司 (Inner Mongolia Shengde Hetai Business Co., Ltd. *)	PRC	PRC	RMB5,000,000	100	100	Trading of feeds
內蒙古伊禾綠錦農業發展有限公司 (Inner Mongolia Yihe Lvjin Agriculture Development Co., Ltd. *)	PRC	PRC	RMB100,000,000	100	100	Planting of feeds
成都優然牧業有限責任公司 (Chengdu Youran Dairy Co., Ltd. *)	PRC	PRC	RMB136,000,000	100	100	Raising and breeding dairy cows and raw milk production
合肥優然牧業有限責任公司 (Hefei Youran Dairy Co., Ltd. *)	PRC	PRC	RMB138,000,000	100	100	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
黃岡優然牧業有限責任公司 (Huanggang Youran Dairy Co., Ltd.*)	PRC	PRC	RMB226,000,000	100	100	Raising and breeding dairy cows, and raw milk production
錫林浩特市優然牧業有限責任公司 (Xilin Hot Youran Dairy Co., Ltd.*)	PRC	PRC	RMB222,000,000	100	100	Raising and breeding dairy cows and raw milk production
吳忠優然牧業有限責任公司 (Wuzhong Youran Dairy Co., Ltd.*)	PRC	PRC	RMB74,000,000	100	100	Raising and breeding dairy cows, and raw milk production
肇東市長青畜牧有限公司 (Zhaodong Chang Qing Livestock Co., Ltd.*)	PRC	PRC	RMB191,500,000	100	100	Raising and breeding dairy cows, and raw milk production
南京優然牧業有限責任公司 (Nanjing Youran Dairy Co., Ltd.*)	PRC	PRC	RMB67,000,000	100	100	Raising and breeding dairy cows, and raw milk production
林甸優然牧業有限責任公司 (Lindian Youran Dairy Co., Ltd.*)	PRC	PRC	RMB472,000,000	100	100	Raising and breeding dairy cows, and raw milk production
銅川優然牧業有限責任公司 (Tongchuan Youran Dairy Co., Ltd.*)	PRC	PRC	RMB131,000,000	100	100	Raising and breeding dairy cows, and raw milk production
張北中都畜牧有限責任公司 (Zhangbei Zhong Du Livestock Co., Ltd.*)	PRC	PRC	RMB33,000,000	100	100	Raising and breeding dairy cows, and raw milk production
達拉特旗優然牧業有限責任公司 (Dalad Banner Youran Dairy Co., Ltd.*)	PRC	PRC	RMB286,000,000	100	100	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
杜爾伯特蒙古自治縣中都畜牧 有限責任公司 (Duerbote Mongolia Autonomous County Zhongdu Livestock Co., Ltd. *)	PRC	PRC	RMB124,000,000	100	100	Raising and breeding dairy cows, and raw milk production
濟南優然牧業有限責任公司 (Jinan Youran Dairy Co., Ltd. *)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
阜新優然牧業有限責任公司 (Fuxin Youran Dairy Co., Ltd. *)	PRC	PRC	RMB114,000,000	100	100	Raising and breeding dairy cows, and raw milk production
平頂山優然牧業有限責任公司 (Pingdingshan Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
呼倫貝爾優然牧業示範牧場有限責任公司 (Hulunbeier Youran Dairy Co., Ltd. *)	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production
武威市優然牧業有限責任公司 (Wuwei Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
杜爾伯特牧泉元興飼料有限責任公司 (Duerbote Muquan Yuanxing Feed Co., Ltd. *) ("Duerbote Muquan Yuanxing Feed")	PRC	PRC	RMB5,400,000	100	100	Production and sales of feeds
保定伊和生物科技有限責任公司 (Baoding Yihe Bio-Technology Co., Ltd. *)	PRC	PRC	RMB10,000,000	100	100	Production and sales of feeds
寧夏伊康元生物科技有限公司 (Ningxia Yikangyuan Bio-Technology Co., Ltd. *) ("Ningxia Bio-Technology")	PRC	PRC	RMB80,000,000	100	100	Production and sales of feeds

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
山東牧泉元興生物科技有限责任公司 (Shandong Bio-Technology Co., Ltd. *)	PRC	PRC	RMB50,000,000	100	100	Production and sales of feeds
大慶牧泉元興生物科技有限责任公司 (Daqing Bio-Technology Co., Ltd. *)	PRC	PRC	RMB40,000,000	100	100	Production and sales of feeds
烏蘭察布市牧泉元興飼料有限責任公司 (Wulanchabu Muquan Yuanxing Feed Co., Ltd. *) ("Wulanchabu Muquan Yuanxing Feed")	PRC	PRC	RMB60,000,000	100	100	Production and sales of feeds
巴彥淖爾市牧泉元興飼料有限責任公司 (Bayannur Muquan Yuanxing Feed Co., Ltd. *) ("Bayannur Muquan Yuanxing Feed")	PRC	PRC	RMB35,000,000	100	100	Production and sales of feeds
興安盟優然牧業有限責任公司 (Hinggan League Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
通遼優然牧業有限責任公司 (Tongliao Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
呼和浩特優然牧業有限責任公司 (Hohhot Youran Dairy Co., Ltd. *)	PRC	PRC	RMB700,000,000	100	100	Raising and breeding dairy cows and raw milk production
駐馬店優然牧業有限責任公司 (Zhumadian Youran Dairy Co., Ltd. *)	PRC	PRC	RMB250,000,000	100	100	Raising and breeding dairy cows, and raw milk production
呼和浩特金河優然牧業有限責任公司 (Hohhot Jinhe Youran Dairy Co., Ltd. *)	PRC	PRC	RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
濰坊優然牧業有限責任公司 (Weifang Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
壽光優然牧業有限責任公司 (Shouguang Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
開魯優然牧業有限責任公司 (Kailu Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
河北牧泉元興生物科技有限責任公司 (Hebei Muquan Yuanxing Bio-Technology Co., Ltd. *)	PRC	PRC	RMB50,000,000	100	100	Production and sales of feeds
延安洛川優然牧業有限責任公司 (Yanan Luochuan Youran Dairy Co., Ltd. *)	PRC	PRC	RMB78,000,000/ RMB100,000,000	100	100	Raising and breeding dairy cows, and raw milk production
合肥元興牧業有限責任公司 (Hefei Yuanxing Dairy Co., Ltd. *)	PRC	PRC	RMB42,000,000	100	100	Raising and breeding dairy cows, and raw milk production
內蒙古聚牧城科技有限責任公司 (Inner Mongolia Jumucheng Technology Co., Ltd. *)	PRC	PRC	RMB10,000,000	100	100	Sales of fodder
內蒙古優創實業有限責任公司 (Inner Mongolia Youchuang Industrial Co., Ltd. *)	PRC	PRC	RMB30,000,000	100	100	Construction materials sales; wire, and real estate development and operation
聊城優然牧業有限責任公司 (Liaocheng Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
昌吉優然牧業有限責任公司 (Changji Youran Dairy Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
昌邑優然牧業有限責任公司 (Changyi Youran Dairy Co., Ltd. *)	PRC	PRC	RMB180,000,000	100	100	Raising and breeding dairy cows and raw milk production
雲南優然牧業有限責任公司 (Yunnan Youran Dairy Co., Ltd. *)	PRC	PRC	RMB60,740,000	100	100	Raising and breeding dairy cows and raw milk production
洛陽優然牧業有限責任公司 (Luoyang Youran Dairy Co., Ltd. *)	PRC	PRC	RMB70,620,000	100	100	Raising and breeding dairy cows and raw milk production
清水河優然牧業有限責任公司 (Qingshuihe Youran Dairy Co., Ltd. *)	PRC	PRC	RMB120,000,000	100	100	Raising and breeding dairy cows and raw milk production
唐山優然牧業有限責任公司 (Tangshan Youran Dairy Co., Ltd. *, formerly known as Fonterra (Yutian) Dairy Farm Co., Ltd. *)	PRC	PRC	RMB1,772,390,272	100	100	Raising and breeding dairy cows and raw milk production
山西優然天合牧業有限責任公司 (Shanxi Youran Tianhe Dairy Co., Ltd. *, formerly known as Fonterra (Ying) Dairy Farm Co., Ltd. *)	PRC	PRC	RMB2,220,345,046/ RMB2,258,816,796	100	100	Raising and breeding dairy cows and raw milk production
寒亭優然牧業有限責任公司 (Hanting Youran Dairy Co., Ltd. *)	PRC	PRC	RMB150,000,000	100	100	Raising and breeding dairy cows and raw milk production

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For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
山西優然牧業有限責任公司 (Shanxi Youran Diary Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優然興草生態農業有限公司 (Inner Mongolia Youran Xingcao Ecological Agriculture Co., Ltd.*)	PRC	PRC	RMB10,000,000	100	100	Planting of feeds
平涼優然牧業有限責任公司 (Pingliang Youran Diary Co., Ltd.*)	PRC	PRC	RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
獻縣優然牧業有限責任公司 (Xianxian Youran Diary Co., Ltd.*)	PRC	PRC	RMB132,500,000/ RMB300,000,000	100	100	Raising and breeding dairy cows and raw milk production
托克托縣優然牧業有限責任公司 (Tuoketuoxian Youran Diary Co., Ltd.*)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows and raw milk production
內蒙古優牧奶業投資管理有限公司 (Inner Mongolia Youmu Dairy Industry Investment Management Co., Ltd.*) ("Youmu Investment Management")	PRC	PRC	RMB225,771,900/ RMB1,000,000,000	100/51 (Note)	100/51 (Note)	Investing
內蒙古優牧畜牧服務有限責任公司 (Inner Mongolia Youmu Livestock Service Co., Ltd.*)	PRC	PRC	RMB2,000,000	100	100	Sales of fodder
內蒙古敕勒川旅游文化有限公司 (Inner Mongolia Chielechuan Tourism and Culture Co., Ltd.*)	PRC	PRC	RMB500,000	100	100	Tourism and cultural services

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
安達市優然牧業有限責任公司 (Anda Youran Animal Husbandry Co., Ltd. *)	PRC	PRC	RMB125,000,000	100	100	Raising and breeding dairy cows, and raw milk production
咸陽優然智慧牧業有限責任公司 (Xianyang Youran intelligent Animal Husbandry Co., Ltd. *)	PRC	PRC	RMB50,000,000	100	100	Raising and breeding dairy cows, and raw milk production
SKX	PRC	PRC	RMB918,600,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production, and production and sale of breeding products
內蒙古犇騰牧業有限公司 (Inner Mongolia Best Holsteins Co., Ltd. *)	PRC	PRC	RMB560,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星牧業有限公司 (Inner Mongolia SK Xing Dairy Co., Ltd. *)	PRC	PRC	RMB88,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
寧夏賽科星養殖有限責任公司 (Ningxia SK Xing Breeding Co., Ltd. *) ("Ningxia SKX")	PRC	PRC	RMB174,200,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
鄂爾多斯市賽科星養殖有限責任公司 (Ordos SK Xing Breeding Co., Ltd. *) ("Ordos SKX")	PRC	PRC	RMB50,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
滄州賽科星牧業有限公司 (Cangzhou SK Xing Dairy Co., Ltd. *) ("Cangzhou SKX")	PRC	PRC	RMB40,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
定州市賽科星伊人牧業有限公司 (Dingzhou SK Xing Yiren Dairy Co., Ltd.*) ("Dingzhou SKX")	PRC	PRC	RMB41,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
鄂托克旗賽優牧業有限公司 (Etuokeqi Saiyou Dairy Co., Ltd.*) ("Etuokeqi Saiyou")	PRC	PRC	RMB95,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
北京海華雲都生態農業有限公司 (Beijing Haihuayundu Ecological Agriculture Co., Ltd.*) ("Beijing Haihuayundu")	PRC	PRC	RMB477,188,074	66.86	66.86	Raising and breeding dairy cows, and raw milk production
呼倫貝爾市賽優牧業有限公司 (Hulun Buir Saiyou Dairy Co., Ltd.*) ("Hulun Buir Saiyou")	PRC	PRC	RMB210,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
河北犇放牧業有限公司 (Hebei Benfang Dairy Co., Ltd.*)	PRC	PRC	RMB240,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
達拉特旗賽優牧業有限公司 (Dalateqi Saiyou Dairy Co., Ltd.*) ("Dalateqi Saiyou")	PRC	PRC	RMB150,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
武強賽優牧業有限公司 (Wuqiang Saiyou Dairy Co., Ltd.*)	PRC	PRC	RMB51,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
華夏畜牧興化有限公司 (Huaxia Livestock Xinghua Co., Ltd.*) ("Huaxia Xinghua")	PRC	PRC	RMB462,457,540	66.86	66.86	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid capital/ registered capital	Proportion of ownership interest and voting rights held by the Group as at December 31,		Principal activities
				2025 %	2024 %	
濟源市賽科星牧業有限公司 (Jiyuan SK Xing Dairy Co., Ltd. *) ("Jiyuan SKX")	PRC	PRC	RMB66,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
尋甸賽優牧業有限公司 (Xundian Saiyou Dairy Co., Ltd. *) ("Xundian Saiyou")	PRC	PRC	RMB80,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星家畜種業與繁育 生物技術研究院有限公司 (Inner Mongolia SK Xing Livestock Seed Industry and Breeding Bio-Technology Research Institute Co., Ltd. *)	PRC	PRC	RMB100,000,000	66.86	66.86	Raising and breeding of livestock, and cloning technology development
承德賽優牧業有限公司 (Chengde Saiyou Dairy Co., Ltd. *)	PRC	PRC	RMB40,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
呼倫貝爾賽科星牧業有限責任公司 (Hulun Buir SK Xing Dairy Co., Ltd. *)	PRC	PRC	RMB126,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
清水河賽科星牧業有限責任公司 (Qingshuihe SK Xing Dairy Co., Ltd. *)	PRC	PRC	RMB90,000,000	66.86	66.86	Raising and breeding dairy cows, and raw milk production
巴彥淖爾賽科星牧業有限責任公司 (Bayan Nur SK Xing Dairy Co., Ltd. *)	PRC	PRC	RMB226,802,392	66.86	66.86	Raising and breeding dairy cows, and raw milk production
內蒙古賽科星肉牛良種繁育有限公司 (Inner Mongolia SK Xing Beef Cattle Breeding Co., Ltd. *)	PRC	PRC	RMB7,000,000	66.86	66.86	Raising and breeding livestock, and cloning technology development

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

General information of subsidiaries *(Continued)*

* The English name of the Chinese company marked with “*” are translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

All subsidiaries incorporated in the PRC are companies with limited liability under PRC law.

Note: On June 17, 2022, Inner Mongolia Youran entered into an investment agreement with an investor (the “Investor”) to jointly establish Youmu Investment Management. Inner Mongolia Youran and the Investor holds 51% and 49% of voting rights, respectively according to the investment agreement. The Investor is entitled to fixed annual return on its funding to Youmu Investment Management during the investment period, therefore such funding is accounted for as other borrowings (see Note 35), and Youmu Investment Management is accounted for as a wholly-owned subsidiary of the Company.

None of the subsidiaries has issued any debt securities as at December 31, 2025 (2024: none).

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of establishment and operations	Proportion of interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests for the year ended		Accumulated non-controlling interests at	
		31/12/2025	31/12/2024	31/12/2025	31/12/2024	31/12/2025	31/12/2024
				RMB'000	RMB'000	RMB'000	RMB'000
SKX Group	The PRC	33.14%	33.14%	(2,916)	(170,597)	861,666	864,512

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	31/12/2025 RMB'000	31/12/2024 RMB'000
Current assets	2,003,553	1,996,465
Non-current assets	6,997,769	7,040,962
Current liabilities	(5,357,380)	(4,786,673)
Non-current liabilities	(957,613)	(1,555,820)
Net assets	2,686,329	2,694,934
Equity attributable to owners of the Company	1,824,663	1,830,422
Non-controlling interests of SKX Group	861,666	864,512
	2,686,329	2,694,934

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

	For the year ended December 31, 2025 RMB'000	For the year ended December 31, 2024 RMB'000
Revenue	3,774,070	3,685,344
Expenses	(3,782,869)	(4,027,756)
Loss for the year	(8,799)	(342,412)
Other comprehensive income/(expense)	212	(4,057)
Total comprehensive expense for the year	(8,587)	(346,469)
Loss for the year attributable to:		
Owners of the Company	(5,883)	(171,815)
Non-controlling interests of SKX Group	(2,916)	(170,597)
	(8,799)	(342,412)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(5,741)	(174,423)
Non-controlling interests of SKX Group	(2,846)	(172,046)
	(8,587)	(346,469)
Net cash inflows/(outflows) from:		
Operating activities	1,208,782	1,090,847
Investing activities	(1,423,926)	(1,250,095)
Financing activities	(175,355)	528,309
	(390,499)	369,061

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2025 RMB'000	31/12/2024 RMB'000
Non-current assets		
Interests in a subsidiary	10,838,854	11,084,968
Interests in an associate	727,885	799,881
	11,566,739	11,884,849
Current assets		
Amounts due from a subsidiary	9,844	6,532
Bank balances and cash	1,782	2,435
	11,626	8,967
Current liabilities		
Amounts due to a subsidiary	44,553	44,490
Other payables and accruals	289	350
Bank borrowings	4,361,710	4,133,195
Income tax payable	27,847	–
	4,434,399	4,178,035
Net current liabilities	(4,422,773)	(4,169,068)
Non-current liability		
Bank borrowings	1,405,760	1,437,680
	1,405,760	1,437,680
Net assets	5,738,206	6,278,101
Capital and reserves		
Share capital	258	258
Reserves	5,737,948	6,277,843
Total equity	5,738,206	6,278,101

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Reserves of the Company

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At January 1, 2024	7,265,589	595,329	(1,939,152)	639,107	6,560,873
Profit/(loss) and total comprehensive income/(expense) for the year	–	93,321	(517,464)	–	(424,143)
Issue of shares	141,113	–	–	–	141,113
At December 31, 2024	7,406,702	688,650	(2,456,616)	639,107	6,277,843
Loss and total comprehensive expense for the year	–	(132,778)	(407,117)	–	(539,895)
At December 31, 2025	7,406,702	555,872	(2,863,733)	639,107	5,737,948

52. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on January 16, 2026, the Company entered into a placing and subscription agreement with Boyuan Investment Holding Limited (“**Boyuan**”), as seller, and the placing agents, pursuant to which Boyuan agreed to place 299.25 million existing shares, and the Company agreed to issue an equivalent number of new shares (the “**top-up subscription**”) at HK\$3.92 per share. On January 20, 2026, the placing was completed, with the shares placed to not less than six independent third-party placees. The top-up subscription was completed on January 26, 2026 with net proceeds of approximately HK\$1,158.6 million, maintaining Boyuan’s shareholding percentage unchanged. On the same date of the placing and subscription agreement, the Company entered into a specific mandate subscription agreement to issue an additional 299.25 million new shares to Boyuan at HK\$3.92 per share, subject to approval by independent shareholders and the granting of a whitewash waiver. The specific mandate subscription remains conditional and has not been completed as of the reporting date.

During the period subsequent to the reporting date, the functional currency of the Company was changed from USD to RMB as the Company ceased its trading operations and transitioned to a financing-focused structure. The directors of the Company have determined that RMB better reflects the economic substance of the Company, given that all existing USD borrowings were fully replaced with RMB borrowings in January 2026, and the majority of its cash balances will be held in RMB. Accordingly, the functional currency of the Company was changed prospectively from January 1, 2026.

Five-Year Financial Summary

	For the year ended December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	20,653,706	20,096,160	18,693,896	18,050,761	15,346,167
Cost of sales	(19,520,335)	(18,782,079)	(17,499,357)	(16,958,848)	(14,333,273)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5,020,326	4,468,909	3,275,246	3,131,809	3,681,585
Gross profit	6,153,697	5,782,990	4,469,785	4,223,722	4,694,479
Loss arising from changes in fair value less costs to sell of biological assets	(4,311,969)	(3,921,360)	(3,613,271)	(1,617,116)	(407,440)
Other income	429,167	549,370	453,821	362,890	151,974
Impairment loss under expected credit loss model, net of reversal	(45,630)	(24,473)	(6,629)	(32,739)	(12,438)
Impairment loss recognised for goodwill	–	–	(120,966)	–	–
Impairment loss recognised for property, plant and equipment and right-of-use assets	(48,141)	(512,850)	(7,879)	–	–
Other gains and losses	1,860	(102,152)	143,430	47,999	(52,618)
Fair value loss on convertible notes	–	–	–	–	(132,910)
Selling and distribution expenses	(638,155)	(632,290)	(619,566)	(590,016)	(556,699)
Administrative expenses	(854,553)	(806,677)	(778,154)	(721,535)	(835,399)
Other expenses	(166,374)	(122,881)	(70,383)	(64,923)	(3,348)
Listing expenses	–	–	–	–	(17,848)
Share of loss of an associate	(78,407)	(79,666)	(126,559)	(35,531)	–
Share of (loss)/profit of a joint venture	(1,416)	(989)	(541)	4	23
Finance costs	(817,814)	(903,487)	(1,082,592)	(1,097,485)	(732,443)
(Loss)/profit before tax	(377,735)	(774,465)	(1,359,504)	475,270	2,095,333
Income tax expense	(57,567)	(87,022)	(93,388)	(69,284)	(74,117)
(Loss)/profit for the year	(435,302)	(861,487)	(1,452,892)	405,986	2,021,216
(Loss)/profit for the year attributable to:					
Owners of the Company	(432,386)	(690,890)	(1,049,980)	414,771	1,558,016
Non-controlling interests	(2,916)	(170,597)	(402,912)	(8,785)	463,200
	(435,302)	(861,487)	(1,452,892)	405,986	2,021,216

	As of December 31,				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	42,370,813	43,656,667	46,199,728	43,446,317	31,961,639
Total liabilities	30,528,999	31,496,909	33,101,033	28,695,188	17,081,728
Total equity	11,841,814	12,159,758	13,098,695	14,751,129	14,879,911
Attributable to:					
Owners of the Company	10,980,148	11,295,246	11,830,718	13,063,746	13,180,911
Non-controlling interests	861,666	864,512	1,267,977	1,687,383	1,699,000

Definitions

"AI"	artificial intelligence
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Articles of Association"	the fourth amended and restated memorandum and articles of association of the Company adopted on May 27, 2022, as amended, supplemented or otherwise modified from time to time
"AGM"	the annual general meeting of the Company to be held on Friday, May 22, 2026
"Audit Committee"	the audit committee of the Company
"Auditor"	Messrs. Deloitte Touche Tohmatsu
"Board" or "Board of Directors"	the board of Directors
"Bright Dairy"	the group of companies comprising Shanghai Bright Dairy & Food Co., Ltd. (上海光明乳業股份有限公司), a company incorporated in the PRC, and its subsidiaries, being one of our customers as a group
"Chairman"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China and, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transactions"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"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)
"Dairy Cows Procurement Framework Agreement"	the dairy cows procurement framework agreement dated March 27, 2026 entered into between the Company and YouYuan Farm
"Dairy Products Purchase Framework Agreement"	the dairy products purchase framework agreement dated April 24, 2023 entered into between the Company and Yili
"Director(s)"	the director(s) of our Company

Definitions

"ESG"	environmental, social and governance
"Financial Services Framework Agreement"	the financial services framework agreement dated April 24, 2023 entered into between the Company and Yili Finance Company
"Group", "our Group", "the 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, being one of our customers as a group
"Jingang"	Hong Kong Jingang Trade Holding Co., Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Yili
"Latest Practicable Date"	April 16, 2026, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"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.
"Nomination Committee"	the nomination committee of the Company
"Non-IFRSs Measures"	non-IFRSs measures
"Period of 2023"	the year ended December 31, 2023
"Period of 2024"	the year ended December 31, 2024

Definitions

"President"	the president of the Company
"Prospectus"	the prospectus of the Company dated June 7, 2021
"Purchase and Sale Framework Agreement"	the products and services purchase and sale framework agreement regarding comprehensive ruminant farming solutions entered into by the Company and YouYuan Farm on November 28, 2022
"Raw Milk Purchase and Sale Framework Agreement"	the raw milk purchase and sale framework agreement dated April 24, 2023 entered into between the Company and Yili
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2025
"Research Center Sale and Purchase Agreement"	the sale and purchase agreement dated August 22, 2025 entered into between Inner Mongolia Youchuang Industrial Co., Ltd. (內蒙古優創實業有限責任公司) (a wholly-owned subsidiary of the Company) as vendor and Inner Mongolia Dairy Technology Research Institute Co., Ltd. (內蒙古乳業技術研究院有限責任公司) (a wholly-owned subsidiary of Yili) as purchaser in respect of the sale and purchase of the Ruminant Nutrition and Health Technology Research Center, details of which are set out in the Company's announcement dated August 22, 2025
"RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shared Financial Services Framework Agreement"	the shared financial services framework agreement dated November 28, 2022 entered into between Yili and the Company in respect of the provision of accounting related shared financial services by Yili to the Group
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.00001 each
"Shareholder(s)"	holder(s) of the 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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Financial Services Framework Agreement"	the supplemental agreement to the Financial Services Framework Agreement entered into between the Company and Yili Finance Company on August 22, 2025 to revise the maximum daily balance of deposits (including the interest accrued thereon) for the period from the effective date of the Supplemental Financial Services Framework Agreement to December 31, 2025 and the year ending December 31, 2026
"TPM"	Total Productive Maintenance

Definitions

“treasury share(s)”	has the meaning ascribed thereto under the Listing Rules
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“Logistics and Operation Support Services Framework Agreement”	the framework agreement entered into between Yishun and the Company on August 22, 2025 regarding the provision of logistics and operation support services by Yishun Group to the Group
“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 Finance Company”	Yili Finance Company Limited* (伊利財務有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Yili
“Yili Group”	Yili and its subsidiaries and associates from time to time
“Yishun”	Inner Mongolia Yishun Supply-chain Management Co., Ltd.* (內蒙古伊順供應鏈管理有限公司), a company established under the laws of the PRC, which has become a wholly-owned subsidiary of Yili since August 14, 2025
“Yishun Group”	Yishun, its subsidiaries and associates
“Youmu Investment Management”	Inner Mongolia Youmu Dairy Investment Management Co., Ltd. (內蒙古優牧奶業投資管理有限公司), a company established under the laws of the PRC and a subsidiary of the Company
“YouYuan Farm”	Beijing YouYuan Farm Technology Corporation (北京優源牧業科技集團有限公司) (formerly known as ZhongDi Farm Technology Corporation (中地牧業科技集團有限公司)) and its subsidiaries and associates, a company established in April 2014 under the laws of PRC which is indirectly owned as to 72.84% by Yili and as to 27.16% by the Company, respectively, and where the context requires, includes its subsidiaries and associates
“%”	per cent