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MODERN FARMING
现代牧业

China Modern Dairy Holdings Ltd.

中國現代牧業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1117)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

HIGHLIGHTS:

The Group's corporate vision is "deploying the whole industry chain, be innovative with digital intelligence, and be a global dairy farming leader". With the raw milk production as its core business, the Group has built a business system covering the entire value chain of the dairy industry through the dual drives of digital transformation and ecological development. The Group's current business scope covers breeding research and development, forage plantation, feed, dairy cows breeding and value chain digital intelligence internet platform. Through the collaborative development model of the entire value chain, the Group's business maintained a steady growth trend.

- **Excellent Product Quality:** Modern Dairy’s brand of pure milk has won the gold medal at the Monde Selection Quality Awards for twelve consecutive years. We always abide by the mission of “raising healthy cows, safeguarding every drop of good milk”. From planting and breeding to processing, the entire process is digitally and intelligently managed using artificial intelligence to monitor every link of the entire industrial chain 24/7, ensuring that every drop of milk reaches the highest quality with both nutrition and safety.
- **Strong Operating Cash Flow:** The Group has continuously taken effective measures to enhance quality and increase efficiency, achieving significant cost savings during the year. The Group recorded net cash from operating activities of RMB2,502.4 million, an increase of 4.1% compared to 2024, effectively enhancing the Group’s core competitiveness and resilience to industry cycles.
- **Healthy Dairy Cow Structure:** As at 31 December 2025, the Group raises a total of 456,945 dairy cows and the proportion of milkable cows increased by 7.1 percentage points (“ppt”) to 58.2% as compared to last year, which represents a healthy herd structure and is in line with the Group’s overall herd management strategy.
- **Synergistic Full Value Chain Development:** Modern Grassland plays a leading role in the industry with stable quality and supply capacity; the Aiyangniu intelligent platform continued to work on its industrial services, with the highest transaction volume in the industry, becoming an important link connecting upstream and downstream industries; and Meng Yuan Genetics has overcome key technologies and successfully bred high-quality breeding bulls independently.
- **Outstanding ESG Performance:** MSCI Inc., one of the world’s largest index companies, has upgraded Modern Dairy’s rating to A, ranking it first among Chinese dairy farming companies. Furthermore, we were again selected into the S&P Global Sustainability Yearbook (China Edition) 2025, highlighting our achievements and influence in the global sustainable development field.

(All amounts in Renminbi (“RMB”) millions unless otherwise stated)

	YEAR ENDED 31 DECEMBER		Change
	2025	2024	
FINANCIAL DATA			
Revenue	12,601	13,254	-4.9%
Gross Profit	3,454	3,451	+0.1%
Cash EBITDA ^(Note 1)	3,063	2,986	+2.6%
Loss Arising from Changes in the Fair Value of Dairy Cows Less Costs to Sell			
Dairy Cows	(3,108)	(2,863)	+8.6%
Loss for the Year	(1,204)	(1,469)	-18.0%
Net Asset Value per Share (RMB) ^(Note 2)	1.05	1.20	-12.5%
Loss per Share (Basic) (RMB cents)	(14.41)	(18.09)	-20.3%
KEY OPERATING DATA			
Herd Size (heads)	456,945	491,169	-7.0%
Total Raw Milk Sold (ten thousand tons)	313.9	289.3	+8.5%
Average Milk Yield (tonnes/head•year)	12.9	12.8	+0.8%

DIVIDEND

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company did not recommend the payment of final dividend (2024: RMB0.0122).

Notes:

- (1) Cash EBITDA (non-IFRS financial measure) is defined as earnings before finance costs and tax having added back: i) depreciation and amortisation charged to profit and loss; ii) other gains and losses, net; iii) impairment losses under expected credit loss model, net of reversal; iv) loss arising from changes in fair value less costs to sell of dairy cows; and v) impairment loss on goodwill.
- (2) Equity attributable to owners of the Company at the year end divided by the number of ordinary shares in issue as at 31 December 2025 and 31 December 2024, respectively.

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

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Modern Dairy Holdings Ltd. (the “**Company**” or “**Modern Dairy**”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2025 (the “**year**” or “**2025**”), together with comparative figures for the year ended 31 December 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	<i>Notes</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue	3	12,600,714	13,254,341
Cost of sales	5	(12,079,860)	(12,759,500)
Gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest		<u>2,933,598</u>	<u>2,956,624</u>
Gross profit		3,454,452	3,451,465
Loss arising from changes in fair value less costs to sell of dairy cows		(3,108,101)	(2,862,562)
Impairment loss on goodwill		–	(599,240)
Other income	4	314,456	278,252
Impairment losses under expected credit loss (“ECL”) model, net of reversal	7	(26,601)	(18,686)
Other gains and losses, net	5	49,927	84,811
Selling and distribution costs		(471,347)	(445,108)
Administrative expenses		(748,892)	(766,215)
Other expenses		(19,890)	(78,097)
Share of results of associates and a joint venture		<u>871</u>	<u>9,842</u>
Loss before finance costs and taxation	5	(555,125)	(945,538)
Finance costs	6	<u>(637,221)</u>	<u>(528,674)</u>
Loss before taxation		(1,192,346)	(1,474,212)
Income tax	8	<u>(11,570)</u>	<u>4,777</u>
Loss for the year		<u><u>(1,203,916)</u></u>	<u><u>(1,469,435)</u></u>

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss for the year attributable to:			
Equity shareholders of the Company		(1,128,627)	(1,416,753)
Non-controlling interests		<u>(75,289)</u>	<u>(52,682)</u>
Loss for the year		<u>(1,203,916)</u>	<u>(1,469,435)</u>
Loss per share			
	<i>10</i>		
Basic (<i>RMB</i>)		(14.41) cents	(18.09) cents
Diluted (<i>RMB</i>)		<u>(14.41) cents</u>	<u>(18.09) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025	2024
	RMB'000	RMB'000
Loss for the year	<u>(1,203,916)</u>	<u>(1,469,435)</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value change on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	277	(16,974)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(6,600)</u>	<u>4,390</u>
Other comprehensive income for the year	<u>(6,323)</u>	<u>(12,584)</u>
Total comprehensive income for the year	<u>(1,210,239)</u>	<u>(1,482,019)</u>
Attributable to:		
Equity shareholders of the Company	(1,134,652)	(1,429,282)
Non-controlling interests	<u>(75,587)</u>	<u>(52,737)</u>
Total comprehensive income for the year	<u>(1,210,239)</u>	<u>(1,482,019)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		7,456,076	7,549,795
Right-of-use assets		2,387,434	2,559,449
Goodwill		1,818,318	1,819,377
Other intangible assets		31,504	37,353
Interests in associates and a joint venture		617,583	615,712
Equity instruments at FVTOCI		40,645	40,368
Biological assets		11,271,008	12,435,776
Prepayments	11	–	36,015
Derivative financial instruments		16,405	179,846
Bank balances		1,346,058	577,498
Deferred tax assets		12,085	10,704
		<u>24,997,116</u>	<u>25,861,893</u>
Current assets			
Inventories		3,010,164	3,130,762
Trade and other receivables and prepayments	11	1,834,095	1,840,205
Derivative financial instruments		154,518	–
Pledged bank deposits		8,339	31,017
Bank balances		6,554,174	3,059,213
Financial assets measured at fair value through profit or loss (“FVTPL”)		20,003	–
		<u>11,581,293</u>	<u>8,061,197</u>
Assets classified as held for sale		–	17,460
		<u>11,581,293</u>	<u>8,078,657</u>
Current liabilities			
Trade and other payables	12	4,635,614	5,364,424
Tax payable		7,637	4,869
Bank borrowings		2,189,448	2,371,072
Other borrowings		1,642,585	559,491
Long term bonds		3,099,913	32,476
Lease liabilities		208,997	238,667
Short term debenture		204,153	–
Other liabilities		16,206	27,179
Contract liabilities		12,421	13,687
Deferred income		31,364	17,855
		<u>12,048,338</u>	<u>8,629,720</u>

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
Net current liabilities		<u>(467,045)</u>	<u>(551,063)</u>
Total assets less current liabilities		<u>24,530,071</u>	<u>25,310,830</u>
Non-current liabilities			
Derivative financial instruments		–	1,083
Other payables	<i>12</i>	–	3,121
Bank borrowings		8,393,990	6,888,188
Other borrowings		996,231	1,385,597
Long term bonds		2,737,221	3,226,314
Lease liabilities		2,105,746	2,195,031
Other liabilities		213,634	253,122
Deferred tax liabilities		6,045	10,375
Deferred income		258,832	225,203
		<u>14,711,699</u>	<u>14,188,034</u>
NET ASSETS		<u>9,818,372</u>	<u>11,122,796</u>
CAPITAL AND RESERVES			
Share capital		675,869	675,869
Reserves		7,618,544	8,855,143
Equity attributable to equity shareholders of the Company		8,294,413	9,531,012
Non-controlling interests		1,523,959	1,591,784
TOTAL EQUITY		<u>9,818,372</u>	<u>11,122,796</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

China Modern Dairy Holdings Ltd. (the “**Company**”) was incorporated and registered in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 26 November 2010. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KYI-1104, Cayman Islands.

As at 31 December 2025, China Mengniu Dairy Co., Ltd. (“**Mengniu**”) and its wholly-owned subsidiary together owned 56.36% of the issued share capital of the Company. Mengniu and its subsidiaries are hereinafter collectively referred to as “**Mengniu Group**”.

The principal activity of the Company is investment holding and its subsidiaries (together, the “**Group**”) are mainly engaged in production and sales of milk, trading, production and sales of feeds, sales of breeding products and provision of platform services.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Company.

2. MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards (“**IFRSs**”), International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new or amended IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2025 comprise the Group and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- biological assets, including milkable cows, heifers and calves;
- derivative financial instruments.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparation of the consolidated financial statements for the year ended 31 December 2025, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB467,045,000 (2024: RMB551,063,000). Taking into account, (i) the available credit facilities of approximately RMB7,419,998,000 (of which approximately RMB2,385,698,000 expires after one year) which remain unutilised as at 31 December 2025 and of which, an amount of RMB1,000,000,000 is from Inner Mongolia Mengniu Dairy (Group) Company Limited ("**Inner Mongolia Mengniu**"), a subsidiary of Mengniu, and the remaining facilities are from licensed banks; (ii) the expected net cash inflows generated from the Group's operations for the next twelve months, the Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

New and amended IFRSs

The Group has applied amendments to IAS 21, The effects of changes in foreign exchange rates – Lack of exchangeability issued by the IASB to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments.

(a) Revenue

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

Disaggregation of revenue from contracts with customers by major products or service lines, geographical location of customers and timing of revenue recognition is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Raw milk	10,466,158	10,454,371
– Feeds and farm supplies	2,097,440	2,731,106
– Breeding products and platform services	<u>37,116</u>	<u>68,864</u>
	<u>12,600,714</u>	<u>13,254,341</u>
Disaggregated by geographical location of customers		
– Chinese Mainland	12,278,416	12,966,550
– Other countries	<u>322,298</u>	<u>287,791</u>
	<u>12,600,714</u>	<u>13,254,341</u>
Disaggregated by timing of revenue recognition		
– At a point in time	12,576,061	13,220,310
– Overtime	<u>24,653</u>	<u>34,031</u>
	<u>12,600,714</u>	<u>13,254,341</u>

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

For the sales of raw milk, revenue is recognised when control of the raw milk has been transferred, being at the point the customer received and accepted the raw milk, the normal credit term of which is 30 days.

For the sale of feeds and farm supplies and breeding products, revenue is recognised when control of these goods has been transferred. This occurs either when the customer receives them or when they are dispatched, depending on the contract terms. The typical credit term is between 30 and 90 days.

Revenue from platform services is mainly recognised over time. The advance payments received for such services are recorded as contract liabilities and recognised as revenue on a straight-line basis over the service period.

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

Sales of raw milk, feeds and farm supplies, breeding products and platform services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Customer A		
Raw milk	9,184,398	9,617,092
Others	<u>10,874</u>	<u>2,685</u>
	<u><u>9,195,272</u></u>	<u><u>9,619,777</u></u>

(b) Segment information

The Group's reportable segments under IFRS 8 are as follows:

- Raw milk business – raising and breeding dairy cows to produce and sell raw milk.
- Integrated dairy farming solutions business – trading, production and sales of feeds and breeding products, provision of platform services through digital intelligence platform.

(i) **Segment revenues and results**

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

For the year ended 31 December 2025

	Raw milk business RMB'000	Integrated dairy farming solutions business RMB'000	Total reportable segments RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue					
External sales	10,466,158	2,134,556	12,600,714	-	12,600,714
Inter-segment sales	<u>-</u>	<u>3,492,429</u>	<u>3,492,429</u>	<u>(3,492,429)</u>	<u>-</u>
Segment loss	<u>(1,007,505)</u>	<u>(34,608)</u>	<u>(1,042,113)</u>	<u>(7,021)</u>	<u>(1,049,134)</u>
Share of profit of associates					25,603
Unallocated other income					5,657
Unallocated other gains and losses					32,580
Unallocated expenses					<u>(207,052)</u>
Loss before taxation					<u>(1,192,346)</u>

For the year ended 31 December 2024

	Raw milk business RMB'000	Integrated dairy farming solutions business RMB'000	Total reportable segments RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue					
External sales	10,454,371	2,799,970	13,254,341	-	13,254,341
Inter-segment sales	<u>-</u>	<u>2,507,925</u>	<u>2,507,925</u>	<u>(2,507,925)</u>	<u>-</u>
Segment (loss)/profit	<u>(1,296,762)</u>	<u>38,533</u>	<u>(1,258,229)</u>	<u>(32,376)</u>	<u>(1,290,605)</u>
Share of profit of associates					4,532
Unallocated other income					1,209
Unallocated other gains and losses					84,399
Unallocated expenses					<u>(273,747)</u>
Loss before taxation					<u>(1,474,212)</u>

Segment profit represents the profit before tax earned by each segment without allocation of central administration expenses, corporate income and expenses, certain other gains and losses and share of results of associates 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.

(ii) Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment assets and segment liabilities 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.

(iii) Other segment information

For the year ended 31 December 2025

	Raw milk business RMB'000	Integrated dairy farming solutions business RMB'000	Total reportable segments RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	474,490	45,220	519,710	13,916	533,626
Impairment losses of trade and other receivables	-	10,938	10,938	15,663	26,601
Loss on disposal of property, plant and equipment	18,140	465	18,605	4,173	22,778
Share of loss/(profit) of associates and a joint venture	2,264	22,469	24,733	(25,604)	(871)
Fair value gain on derivative financial instruments	-	-	-	24,138	24,138
Finance costs	629,077	8,144	637,221	-	637,221
Interest income	(129,187)	(13,580)	(142,767)	-	(142,767)
Loss arising from changes in fair value less costs to sell of dairy cows	3,108,101	-	3,108,101	-	3,108,101
Income tax	-	11,616	11,616	(46)	11,570

For the year ended 31 December 2024

	Raw milk business RMB'000	Integrated dairy farming solutions business RMB'000	Total reportable segments RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	486,326	37,488	523,814	11,855	535,669
Impairment losses of trade and other receivables	–	18,650	18,650	36	18,686
Loss on disposal of property, plant and equipment	13,771	1,459	15,230	1,028	16,258
Share of loss/(profit) of associates and a joint venture	5,810	(11,120)	(5,310)	(4,532)	(9,842)
Impairment loss on goodwill	599,240	–	599,240	–	599,240
Fair value gain on derivative financial instruments	–	–	–	(59,689)	(59,689)
Finance costs	503,288	25,386	528,674	–	528,674
Interest income	(70,959)	(4,384)	(75,343)	–	(75,343)
Loss arising from changes in fair value less costs to sell of dairy cows	2,862,562	–	2,862,562	–	2,862,562
Income tax	–	10,841	10,841	(15,618)	(4,777)

(iv) **Geographical information**

The Group's operations are mainly located in Chinese Mainland.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Revenue from external customers	
	2025 RMB'000	2024 RMB'000
Chinese Mainland	12,245,843	12,938,600
Other jurisdiction	<u>354,871</u>	<u>315,741</u>
	<u>12,600,714</u>	<u>13,254,341</u>

4. **OTHER INCOME**

	2025 RMB'000	2024 RMB'000
Interest income	142,767	75,343
Government grants related to		
– Assets (Note i)	117,035	100,311
– Income (Note ii)	<u>36,672</u>	<u>53,764</u>
	153,707	154,075
Others	<u>17,982</u>	<u>48,834</u>
	<u>314,456</u>	<u>278,252</u>

Notes:

- i. These government grants are in relation to (i) compensations of the capital expenditure incurred for purchase of plant and machinery and right-of-use assets, which are recognised over the useful life of the related assets; (ii) the purchase of inventories, which are credited to the profit or loss over the periods in which the inventories were consumed; and (iii) purchase of biological assets measured at fair value less costs to sell, which are credited to the profit or loss, when the conditions attaching to the government grant are met.
- ii. These government grants are unconditional government subsidies received by the Group for the purpose of giving immediate financial support to the Group's operation.

5. LOSS BEFORE FINANCE COSTS AND TAXATION

Loss before finance costs and taxation is arrived at after charging/(crediting):

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of sales:		
Breeding costs to produce raw milk	7,203,113	7,197,211
Gains arising on initial recognition of raw milk at fair value		
less costs to sell at the point of harvest	2,933,598	2,956,624
Cost of feeds and farm supplies sold	1,939,086	2,587,236
Cost of breeding products sold and platform services	4,063	18,429
	<u>12,079,860</u>	<u>12,759,500</u>
Other gains and losses, net:		
Net foreign exchange (gain)/loss	(61,381)	57,516
Losses on disposal of property, plant and equipment	22,778	16,258
Loss on termination of lease agreements	–	3,940
Loss on disposal of other intangible assets	–	72
Gain on remeasurement of previously held equity interests	–	(15,212)
Foreign currency forward contracts	–	1,508
Foreign currency option contracts	(1,756)	(16,259)
Capped and floored cross currency swap	42,299	(44,938)
Cross currency swap	(16,405)	–
Changes in provision for obligation to return dairy cows	(1,506)	(3,318)
Fair value gain on commitment to non-controlling interests	(37,992)	(41,935)
Gain on partial redemption of long term bonds	(2,906)	(20,901)
Bargain purchase arose in the acquisition of business	–	(26,204)
Others	6,942	4,662
	<u>(49,927)</u>	<u>(84,811)</u>
Depreciation of property, plant and equipment	798,040	729,435
Depreciation of right-of-use assets	165,165	200,605
Amortisation of other intangible assets	9,504	9,201
Less: capitalised in biological assets	(439,083)	(403,572)
Depreciation and amortisation charged to profit or loss	<u>533,626</u>	<u>535,669</u>
Short-term lease expense	28,352	22,196
Less: capitalised in biological assets	(11,874)	(7,936)
Short-term lease expense charged to profit or loss	<u>16,478</u>	<u>14,260</u>

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Employee benefits expense:		
Salaries and allowances	993,144	1,058,834
Retirement benefit schemes contributions	95,194	93,433
Equity-settled share award expense	52,996	51,711
Less: capitalised in biological assets	<u>(304,464)</u>	<u>(362,992)</u>
Employee benefits charged to profit or loss	<u>836,870</u>	<u>840,986</u>
Auditors' remuneration	<u>3,800</u>	<u>4,350</u>

6. FINANCE COSTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest expenses on:		
Bank borrowings	321,766	311,324
Long term bonds	149,242	83,110
Short term debenture	4,153	–
Other borrowings	69,338	37,231
Lease liabilities	<u>92,722</u>	<u>97,009</u>
	<u>637,221</u>	<u>528,674</u>

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Impairment losses recognised in respect of:		
Trade receivables	14,737	18,650
Other receivables	<u>11,864</u>	<u>36</u>
	<u>26,601</u>	<u>18,686</u>

8. INCOME TAX EXPENSE/(CREDIT) AND DEFERRED TAXATION

(a) Taxation in the consolidated statement of profit or loss represents:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax	13,390	16,049
Other jurisdiction	398	1,378
Under/(over) provision in respect of prior years:		
PRC Enterprise Income Tax	<u>3,342</u>	<u>(15,033)</u>
	----- 17,130	----- 2,394
Deferred tax	<u>(5,560)</u>	<u>(7,171)</u>
	<u>11,570</u>	<u>(4,777)</u>

The Company is incorporated as an exempted company and as such is not subject to any tax in the Cayman Islands.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory income tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

According to the prevailing tax rules and regulation of the EIT Law, 52 subsidiaries of the Group is exempted from enterprise income tax for taxable profit from the operation of agricultural business in the PRC for the year ended 31 December 2025 (2024: 58 subsidiaries).

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. Deferred taxation has not been provided for in the consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting to RMB4,683,051,000 as at 31 December 2025 (31 December 2024: RMB4,924,126,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates**

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss before taxation	<u>(1,192,346)</u>	<u>(1,474,212)</u>
Tax at applicable income tax rate at 25% (2024: 25%)	(298,087)	(368,553)
Effect of tax exemption granted to agricultural business subsidiaries	(69,686)	(48,066)
Effect of unutilised losses incurred from agricultural business subsidiaries and other non-deductible expenses	378,968	427,777
Effect of different tax rates of entities operating in other jurisdictions	1,217	(56)
Effect of tax losses not recognised	3,667	1,784
Utilisation of tax losses previously not recognised	(7,851)	(2,630)
Under/(over) provision in respect of prior years	<u>3,342</u>	<u>(15,033)</u>
Income tax	<u><u>11,570</u></u>	<u><u>(4,777)</u></u>

As at 31 December 2025, the Group's PRC subsidiaries had unused tax losses of RMB103,890,000 (2024: RMB120,626,000) incurred by non-agricultural business in the PRC. These unused tax losses as at 31 December 2025 will expire in year 2026 to year 2030 as disclosed in the following table if not utilised. No deferred tax asset has been recognised in relation to such tax losses as it is not probable that taxable profit will be available against which the tax losses can be utilised.

9. DIVIDENDS

During the year, a final dividend of RMB0.0122 per share in respect of the year ended 31 December 2024 (2023: RMB0.0045 per share in respect of the year ended 31 December 2023) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current year amounted to RMB95,589,000 (2024: RMB34,888,000) and was appropriated from the Company's distributable share premium.

No dividend has been proposed since the end of the reporting period.

10. LOSS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity shareholders of the Company is based on the following data:

	2025 RMB'000	2024 RMB'000
Loss		
Loss for the year attributable to equity shareholders of the Company	<u>(1,128,627)</u>	<u>(1,416,753)</u>
Loss for the purpose of basic and diluted loss per share	<u>(1,128,627)</u>	<u>(1,416,753)</u>
Basic and diluted loss per share	<u>(14.41) cents</u>	<u>(18.09) cents</u>
	2025 Shares '000	2024 Shares '000
Number of shares		
Issued ordinary shares at 1 January	7,915,662	7,915,662
Effect of award shares vested	46,699	22,742
Effect of shares repurchased under the Company's Share Award Scheme	(131,990)	(101,209)
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>7,830,371</u>	<u>7,837,195</u>

The number of shares adopted in the calculation of the basic loss per share has been arrived at after adjusting the effect of shares repurchased by the Company and the shares held under the Company's Share Award Scheme. The calculation of diluted loss per share for the period ended 31 December 2025 has not taken into account the effect of the share awards of the Company and the effect of the option granted to China Agricultural since the assumed vesting and exercise would be anti-dilutive and result in decrease in loss per share.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	1,434,576	1,482,187
Bills receivable	56,404	67
Less: allowance for credit losses	<u>(48,776)</u>	<u>(37,730)</u>
	1,442,204	1,444,524
Prepayments for feeds, materials, insurance and others	114,760	149,104
Prepayments for property, plant and equipment	–	36,015
Receivable from disposal of property, plant and equipment	65,644	–
Input value added tax recoverable	14,278	8,548
Short term entrusted loans to associates (<i>Note i</i>)	173,693	176,724
Guarantee deposit paid	11,944	34,692
Others	<u>11,572</u>	<u>26,613</u>
	<u>1,834,095</u>	<u>1,876,220</u>
Analysed as:		
Current	1,834,095	1,840,205
Non-current	<u>–</u>	<u>36,015</u>
	<u>1,834,095</u>	<u>1,876,220</u>

Note:

- i. As at 31 December 2025 and 2024, the Group granted entrusted loans to certain associates with the annual interest rate of 3.50% – 5.00% which will mature in 1 year.

As at 31 December 2025, the Group has no trade receivables (2024: RMB4,830,000) were pledged to secure certain borrowings of the Group.

Trade receivables at the end of the reporting period principally represent receivables from sales of raw milk, feeds and farm supplies. The Group allows a credit period of 30 days to its customers of raw milk and no more than 90 days to its customers of feeds and farm supplies.

The following is an aged analysis of trade receivables and bills receivable, net of allowance for credit losses, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates at the end of the reporting period:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables		
– within 30 days	1,220,768	1,262,507
– beyond 30 days but within 90 days	126,998	154,081
– beyond 90 days but within 1 year	38,034	27,869
Bills receivable		
– within 30 days	20	5
– beyond 30 days but within 90 days	56,358	62
– beyond 90 days but within 1 year	26	–
	<u>1,442,204</u>	<u>1,444,524</u>

12. TRADE AND OTHER PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables	1,329,426	1,574,929
Trade payables under supplier finance arrangements (<i>Note i</i>)	<u>1,940,379</u>	<u>2,319,535</u>
	<u>3,269,805</u>	<u>3,894,464</u>
Payable for acquisition of property, plant and equipment	685,513	867,058
Accrued staff costs	294,959	353,843
Accrued repair and maintenance cost of property, plant and equipment	114,784	–
Guarantee deposits	167,686	155,183
Payables for acquisition of subsidiaries	11,985	11,985
Others	<u>90,882</u>	<u>85,012</u>
	<u>4,635,614</u>	<u>5,367,545</u>
Analysed as:		
Current	4,635,614	5,364,424
Non-current	–	3,121
	<u>4,635,614</u>	<u>5,367,545</u>

Note:

- i. These supplier finance arrangements permit certain suppliers of the Group to be paid a discounted amount by certain financial companies earlier than the due date. The Group repays the financial companies the full amount on the originally scheduled payment due date and does not bear any finance costs.

The credit period granted by suppliers for trade purchases is generally within 180 days (2024: 180 days). The following is an aged analysis of trade payables based on invoice dates at the end of the reporting period:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	3,216,972	3,850,902
Beyond 180 days but within 360 days	18,703	14,855
Beyond 360 days	34,130	28,707
	<u>3,269,805</u>	<u>3,894,464</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2025, China's dairy industry was undergoing a period of profound adjustment, with a complex and volatile market environment. Raw milk prices have declined for four consecutive years due to a weak recovery in consumer demand, but beef prices have stabilized and rebounded after experiencing fluctuations. On the supply side, although the number of dairy cows has declined due to market clearing, the national raw milk production has continued to grow thanks to the continuous optimization of milk yield per cow. According to data from the National Bureau of Statistics, China's raw milk production reached 40.91 million tons in 2025, a year-on-year increase of 0.3%. Meanwhile, dragged down by weak end-consumer demand, the annual output of dairy products was 29.5 million tons, a slight decrease of 0.4% year-on-year.

In terms of farming profitability, the price of raw milk in major producing provinces across China fell by 8.0% year-on-year in 2025. On the cost side, the average prices of major feeds such as corn and soybean meal fell by 2.5% and 3.1% year-on-year, respectively, and the price fluctuations of raw milk and feed costs exhibited a scissor-like pattern. However, it is worth noting that market data shows that the prices of culled calves and cows increased by 19.2% and 13.4% year-on-year, respectively, which to some extent alleviated the cash flow pressure on farms.

Faced with industry challenges, the government has implemented a series of targeted policies aimed at improving quality and efficiency while safeguarding industrial security. Regarding the revision of standards, the first amendments to the National Food Safety Standard – Sterilized Milk officially came into effect on 16 September 2025, which clearly stipulates that sterilized milk can only be made from raw cow (sheep) milk and strictly prohibits the use of reconstituted milk. This move has effectively boosted the market demand for high-quality raw milk. In terms of trade policy, the Ministry of Commerce has ruled to impose provisional anti-subsidy duties on imported cheese and cream from the EU starting in December 2025. The increase in import costs is expected to accelerate the process of domestic substitution of high-value-added dairy raw materials. In addition, the Ministry of Commerce issued an announcement that the import quota system for beef and the 55% excess tariff will be implemented from 2026. This is expected to effectively curb the impact of low-priced imports and further consolidate the foundation for the recovery of domestic beef prices.

In terms of international trade, import data has shown structural changes. According to the China customs statistics, the import volume of various dairy products in 2025 was 2.757 million tons, an increase of 1.6% year-on-year. This marks the official end of a three-year decline in dairy product imports. This growth was mainly driven by the strong performance of B2B baking, tea and catering channels, which boosted the demand for imported solid dairy products. Due to the rebound in imports, China's raw milk self-sufficiency rate decreased by one percentage point in 2025 compared to 2024.

BUSINESS REVIEW

Our Group is a leading enterprise in China's dairy cow farming and raw milk production, committed to providing high-quality raw milk to our partners for processing into various premium dairy products. We have established long-term, stable strategic cooperative relationships with top-tier dairy enterprises, achieving complementary advantages and jointly promoting the high-quality development of Chinese Mainland's dairy industry.

The Group's vision is "deploying the whole industry chain, being innovative with digital intelligence, and being a global dairy farming leader". We remain committed to raw milk production as our core business while being driven by digitalization and ecological practices. Pursuing the mission of "raising healthy cows, safeguarding each and every drop of milk", we are committed to safeguarding the health of the Chinese people and contributing to the high-quality development of China's dairy farming industry.

With the support of the solid core business of raw milk, the Group has been expanding into dairy farming technologies, feeds, forage grass, intelligent digital platforms, breeding and other businesses in a steady and orderly manner. The Group has efficiently adjusted the resource utilization and consolidated its business into two major business segments: (1) the raw milk business, and (2) the integrated dairy farming solutions business. The synergistic benefits between the segments are maximized following the efficient utilization of resources, laying a solid foundation for the Group's high-quality and sustainable development.

RAW MILK BUSINESS SEGMENT

Since its establishment, the Group has always focused on the in-depth development of farm operations, adhering to the business philosophy of "quality as the foundation and integrity as the lifeblood" and actively fulfilling its corporate social responsibility. We are comprehensively promoting high-standard, high-quality, high-efficiency and high-profit development. In terms of breeding management, we pioneered the "Five-Good Dairy Cows" feeding principle, focusing on dairy cow health and scientific feeding to achieve excellent operation and refined management. Meanwhile, we continue to strengthen collaboration across the entire industry chain to achieve value creation through synergy across the entire chain and strong leadership through digital intelligence.

2025 was an extremely challenging year. Faced with a severe market environment, our outstanding team has persevered and built a united and elite group. Throughout the year, the Group actively advanced various cost reduction and efficiency improvement measures, optimized the herd structure and increased dairy cow yield, and proactively increased the number of low-yield and inefficient cattle to be culled, achieving significant cost savings and further strengthening the Company's core competitiveness and resilience in the face of industry cycle fluctuations. During the year, the Group has also further strengthened its quality farm management, focusing on increasing the ratio of core dairy cows and the overall health level of the dairy cows, resulting in significant improvements in key operational indicators during the year.

Herd Size

As at 31 December 2025, the Group invested and operated a total of 47 dairy farming companies and 53 modern farms across the north and south with 456,945 dairy cows as at the end of the year in Chinese Mainland (2024: 491,169 heads) spanning 14 provinces and autonomous regions, representing a yoy decrease of 7.1%. During the year, the Group strategically reduced low-yield and inefficient cows to optimize the herd structure. The proportion of milkable cows increased to 58.2% (2024: 51.1%) yoy, which is at a very ideal level and in line with the Group's overall herd management strategy. In order to further enrich the Group's raw milk product structure and create new profit-growth points for raw milk, the Group has actively deployed and operated 5 large-scale organic raw milk farms since last year, with an organic dairy cow inventory of 40,869 heads. The Group believes that the organic raw milk segment is a high-end business and has a strategic position in the Group's long-term development plan. We will continue to explore the possibility of developing such segment.

	2025	2024
	<i>Heads</i>	<i>Heads</i>
Dairy cows		
Milkable cows	265,778	250,894
Heifers and calves	191,167	240,275
	<hr/>	<hr/>
Total	456,945	491,169
	<hr/> <hr/>	<hr/> <hr/>

Milk Yield

During the year, the Group recorded an annual milk yield (“**AMY**”) of 12.9 tons per milkable cow (2024: 12.8 tons), representing a yoy increase of 0.8%, continuing to maintain a high output level. Nevertheless, the team will commit itself to exploring ways to further increase the yield per cow and continuously improve the quality and the output. The total annual milk production of the Group grew by 11% to 3.335 million tons (2024: 3.005 million tons) during the year. The output of organic raw milk was 241,000 tons (2024: 115,000 tons), an increase of 110% yoy.

Raw milk production depends on efficient herd management, dairy cow breed, the duration of peak lactation, parity, living comfort, health condition, and feed composition, among other factors. The Company will continuously research every factor to ensure that every dairy cow produces high-quality, reliable, and delicious milk to give back to our consumers.

INTEGRATED DAIRY FARMING SOLUTIONS BUSINESS

The integrated dairy farming solutions business covers the entire dairy farming value chain, including feed, forage grass, breeding R&D and intelligent digital platforms, and we strive to provide one-stop professional services for dairy farming operators and facilitate small and medium-sized operators in the industry to improve their dairy farms’ operational efficiency and bring economic benefits in society.

Feeds and Forage Grass Business

While ensuring the supply of high-quality forage grass for our own farms, the Group leverages its industry chain advantages to actively expand into feed trading and forage cultivation. Currently, its business covers the planting and processing of all categories of forage, including alfalfa, oats, and silage corn.

In terms of feeds trading, the Group continues to develop relationships with high-quality downstream customers and actively advances the establishment of strategic cooperation with them. Meanwhile, we will also continuously improve product offerings and actively identify upstream suppliers and strengthen close cooperation with large domestic feeds companies to ensure high product quality and stable supply, enhance customer stickiness, and achieve multi-win value marketing among various parties.

In terms of forage planting, the Group has established 2 planting base. Additionally, through cooperation with growers, we manage and control relevant land areas exceeding 2 million mu. In the production and processing of forage grass, the Group owns 6 production and processing plants in Chinese Mainland and has jointly invested in and operates 3 feed production factories in partnership with major domestic feed enterprises. Regarding international operations, we have deployed high-quality alfalfa production across four states in the United States, setting up 3 processing and production bases with an annual supply capacity of over 300,000 tons of high-quality forage.

Intelligent Digital Platform

This business consists of Aiyangniu and Yunyangniu internet platforms. Aiyangniu is an e-commerce platform company with information technology at its core. Its business covers the trading of dairy farming supplies such as feed, veterinary drugs, and equipment. It integrates services including bidding and price comparison, supply chain finance, and smart ranch management systems. Through a centralized procurement model, it effectively reduces the cost of ranch supplies and has established a logistics distribution network covering major pastoral areas nationwide. Meanwhile, the Company has been actively establishing organic feed cultivation bases, forming a complete “cultivation-processing-supply” service chain. In terms of technological innovation, the AIOT Smart Ranch System independently developed by Aiyangniu enables digital management functions such as calf weight gain tracking and bedding comfort monitoring. The Platform has also built the “Mucaijiang” vehicle transportation monitoring platform, which utilizes Beidou/GPS technology to optimize logistics routes. The relevant technology projects have passed the acceptance test of the “Livestock B2B E-commerce Trading Platform” technology project and have obtained multiple software copyrights.

Another digital platform, Yunyangniu, is an internet-based intelligent system focusing on dairy cows production, breeding and data management. Yunyangniu adheres to the mission of “being a digital translator for cows and understanding every cow”, and is committed to building a shared service platform for millions of dairy cows. Its main functions include providing AIOT smart solutions, management consulting, and online diagnosis and treatment services for agriculture and dairy farming. By integrating industry chain resources, empowering farms and assisting in solving various difficult problems in operation and management, we can break through the bottlenecks in industrial development.

Breeding Business

The Group actively responded to the national call by continuously increasing investment in the breeding business and improving the self-owned rate of core breeding sources, and made every effort to promote the genetic improvement of dairy cows to enhance breeding technology and achieve self-sufficiency. The Group and Beijing Shounong Animal Husbandry Development Co., Ltd. jointly established the Meng Yuan Genetics Technology Business in Beijing in a bid to integrate superior resources, expand the full industrial chain ecosystem, build China's largest dairy cattle breeding resource population, and establish a globally leading joint entity for dairy cattle breeding and reproduction services. This initiative aims to support the independent and healthy development of China's dairy cattle seed industry and contribute to the national strategic goal of turning around the seed industry, as emphasized by the central government. The establishment of Meng Yuan Genetics provides strong assurance for tasks such as bull breeding, genomic selection, genetic evaluation, and embryo engineering.

The Group independently developed the "Modern No. 1" Genomic Germplasm "Chip", filling in the domestic commercial dairy cows genomic germplasms market. The Group continues to promote independent breeding and cultivation of breeding bulls and build national-level core breeding farms for dairy cows, and actively participated in the genetic improvement project of millions of cows in the Ningxia Hui Autonomous Region, injecting continuous momentum into the high-quality development of China's dairy cattle breeding industry.

FINANCIAL OVERVIEW

SALES REVENUE

Business Analysis

The following table sets forth the details of the consolidated revenue for the years ended 31 December:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Raw milk business	10,466,158	10,454,371
Integrated dairy farming solutions	<u>2,134,556</u>	<u>2,799,970</u>
Consolidated revenue	<u>12,600,714</u>	<u>13,254,341</u>

During the year, the Group recorded total sales revenue of RMB12,600.7 million (2024: RMB13,254.3 million), representing a yoy decrease of 4.9% in general.

Raw Milk Business

The following table sets forth the details of sales revenue, sales volume and average selling price (“ASP”) of raw milk for the years indicated:

	2025			2024		
	Sales revenue <i>RMB'000</i>	Sales volume <i>tons</i>	ASP <i>RMB/ton</i>	Sales revenue <i>RMB'000</i>	Sales volume <i>tons</i>	ASP <i>RMB/ton</i>
Raw milk	<u>10,466,158</u>	<u>3,138,681</u>	<u>3,335</u>	<u>10,454,371</u>	<u>2,893,271</u>	<u>3,613</u>

The Group’s total revenue of the sales of raw milk amounted to RMB10,466.1 million during the year (2024: RMB10,454.4 million), basically unchanged yoy. The ASP of raw milk decreased by 7.7% from RMB3,613/ton in the same period last year to RMB 3,335/ton this year.

The ASP of raw milk has decreased by 7.7% yoy to RMB3.33/kg during the year (2024: RMB3.61/kg). This is mainly due to the oversupply of raw milk in China, which led to a decline in market prices of raw milk.

Total sales volume of raw milk increased by 8.5% yoy to approximately 3.139 million tons during the year (2024: 2.893 million tons), mainly due to effective herd management and a significant increase in the AMY per cow.

Integrated Dairy Farming Solutions Business

During the year, sales revenue of the integrated dairy farming solutions business amounted to RMB2,134.6 million (2024: RMB2,800.0 million), representing a yoy decrease of 23.8%, mainly due to the weakened market demand. In order to control operational risks effectively, the Group proactively adjusted the sales strategy in a timely manner, increased customer screening efforts, and focused on high-quality customers. Although the revenue scale has declined in the short term, the management expects that such business segment will continue to contribute to the profits of the Group and improve the layout of the value chain, enhance the resilience of the value chain, and help the Group achieve high-quality, sustainable and stable development.

COST OF SALES

The following table sets forth the breakdown of the cost of sales of our products for the years indicated:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Raw milk business	7,203,113	7,197,211
Integrated dairy farming solutions	<u>1,943,149</u>	<u>2,605,665</u>
Total cost of sales	<u>9,146,262</u>	<u>9,802,876</u>

During the year, the Group's total cost of sales amounted to RMB9,146.3 million (2024: RMB9,802.9 million), representing a yoy decrease of 6.7%, mainly due to the decrease in sales of integrated dairy farming solutions.

Raw Milk Business

During the year, the cost of sales of raw milk business amounted to RMB7,203.1 million (2024: RMB7,197.2 million), basically the same as last year.

The Group continued to strengthen our lean management of farms. The Company achieved cost reduction and efficiency improvement through improving formula, adjusting feed mix, enhancing health of cows, raising AMY per milkable cow. Benefiting from falling prices of key bulk feedstuffs, the Group kept the average unit cost of raw milk before inter-segment offset at RMB2.32/kg (2024: RMB2.53/kg), representing a yoy decrease of RMB0.21/kg, where the average feed cost of raw milk amounted to RMB1.77/kg (2024: RMB1.95/kg), representing a yoy decrease of RMB0.18/kg, mainly due to the decrease in feed prices. Overall, the Group's cost-control ability maintains at an industry-leading level.

Integrated Dairy Farming Solutions Business

During the year, the cost of sales of integrated dairy farming solutions amounted to RMB1,943.1 million (2024: RMB2,605.7 million), representing a yoy decrease of 25.4%, mainly due to the decrease in sales scale of such business segment and effective cost control measures, with the decline being basically consistent with the change in revenue.

Overall Gross Profit and Profitability

The following table sets forth the breakdown of gross profit and gross profit margin of our business for the years indicated:

	2025		2024	
	Gross profit <i>RMB'000</i>	Gross profit margin	Gross profit <i>RMB'000</i>	Gross profit margin
Raw milk business	3,263,045	31.2%	3,257,160	31.2%
Integrated dairy farming solutions	191,407	9.0%	194,305	6.9%
Total	<u>3,454,452</u>	<u>27.4%</u>	<u>3,451,465</u>	<u>26.0%</u>

The Company's profitability is mainly affected by market milk prices, cost levels and the yield per dairy cow. Under normal operating conditions, when milk prices rise, profitability usually increases accordingly; and when milk production increases, the unit sales cost of raw milk will also decrease relatively, thereby further uplifting profitability.

During the year, the Group's raw milk sales volume increased by 8.5% yoy, and gross profit reached RMB3,263.0 million (2024: RMB3,257.2 million), basically flat yoy. The gross profit margin was 31.2%, unchanged from last year (2024: 31.2%), and consistent with sales changes. This reflects the Group's effective control over sales costs and the continued effectiveness of various cost reduction and efficiency improvement measures.

In terms of integrated dairy farming solutions business, the gross profit for the year was RMB191.4 million (2024: RMB194.3 million), a slight decrease of 1.5% yoy, mainly due to the decline in sales volume in this segment. However, the gross profit margin increased by 2.1 ppt yoy to 9.0% (2024: 6.9%), demonstrating the significant effectiveness of business structure optimization and cost control, and the continued enhancement of profitability.

Losses Arising from Changes in Fair Value Less Costs to Sell of Dairy Cows

Losses arising from changes in the fair value of dairy cows less costs to sell dairy cows were RMB3,108.1 million during the year (31 December 2024: RMB2,862.6 million), representing a yoy increase of 8.6%. The increased losses were mainly due to the Group's proactive efforts to strategically cull low-yield and inefficient cattle in order to continuously optimize the herd structure; and the significant non-cash loss on the revaluation of the fair value of dairy cows resulting from the decline in the market price of culled cattle and the market price of raw milk. A healthy and optimized herd structure is crucial to the Group's long-term profitability.

Gains Arising on Initial Recognition of Raw Milk at Fair Value Less Costs to Sell at the Point of Harvest

During the year, the gains arising on initial recognition of raw milk at fair value less costs to sell at the point of harvest which presents the difference between the fair value less costs to sell and the actual costs incurred amounted to RMB2,933.6 million (2024: RMB2,956.6 million), basically the same as last year, mainly due to raw milk sales being basically the same as last year and as a result of an 8.5% yoy increase in raw milk sales during the year, which effectively offset the impact of falling milk prices.

The International Financial Reporting Standards (“IFRS”) require that raw milk harvested was initially measured at fair value less costs to sell, and the difference between the fair value less costs to sell and the actual costs incurred was booked to profit or loss account.

Other Income

During the year, other income amounted to RMB314.5 million (2024: RMB278.3 million), representing a yoy increase of 13.0%, which mainly consisted of government grants and interest income, of which interest income accounted for RMB142.8 million (2024: RMB75.3 million), while the government grants amounted to RMB153.7 million (2024: RMB154.1 million). Government grants mainly consisted of subsidies for agricultural projects and subsidies for the operations of the Group.

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	142,767	75,343
Government grants related to		
– Assets	117,035	100,311
– Others	36,672	53,764
	153,707	154,075
Others	17,982	48,834
Total	314,456	278,252

Operating Expenses

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Selling and distribution costs	471,347	445,108
Administrative expenses	<u>748,892</u>	<u>766,215</u>
Total operating expenses	<u><u>1,220,239</u></u>	<u><u>1,211,323</u></u>

The total operating expenses was RMB1,220.2 million during the year (2024: RMB1,211.3 million), basically the same as last year. The analysis is as follows:

- ***Selling and distribution costs***

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Transportation costs and others	446,609	424,094
Taxes and surcharges	<u>24,738</u>	<u>21,014</u>
Total selling and distribution costs	<u><u>471,347</u></u>	<u><u>445,108</u></u>

Selling and distribution costs mainly consisted of transportation costs for raw milk, transportation costs and other expenses (such as salaries and daily expenses of the sales department) for integrated dairy farming solutions, as well as taxes and surcharges related expenses. During the year, the Group's selling and distribution costs stood at RMB471.3 million (2024: RMB445.1 million), a yoy increase of 5.9%, with the growth rate basically in line with the increase in raw milk sales volume.

- ***Administrative expenses***

Administrative expenses mainly included remuneration of management staff (including equity-based share award expenses) and depreciation charges of office buildings, staff quarters and facilities, and other daily administrative expenses. During the year, the Group's administrative expenses amounted to RMB748.9 million (2024: RMB766.2 million), representing a yoy decrease of 2.3%, mainly due to the Group's continuous efforts to reduce costs and increase efficiency, which effectively controlled and reduced administrative expenses through measures such as simplifying process management.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

During the year, the impairment losses recognised under expected credit loss model (net of reversal) of the Group amounted to RMB26.601 million (2024: RMB18.686 million), a yoy increase of 42.4%. The increase is mainly due to the Group's assessment of expected credit losses on trade receivables based on the principle of prudence and the corresponding impairment provision, which does not represent the final actual loss of the relevant amounts.

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses recognised in respect of:		
Trade receivables	14,737	18,650
Other receivables	11,864	36
	<hr/>	<hr/>
Total	<u>26,601</u>	<u>18,686</u>

Other Gains and Losses, Net

During the year, net gains arising from other gains and losses amounted to RMB49.9 million (2024: net gains of RMB84.8 million) mainly consisting of net amount of foreign exchange (gains)/losses, fair value (gain)/loss on derivative financial instruments. The breakdown of other gains and losses is as follows:

	2025	2024
	RMB'000	RMB'000
Other gains and losses, net:		
Net foreign exchange (gain)/loss	(61,381)	57,516
Losses on disposal of property, plant and equipment	22,778	16,258
Losses on termination of lease agreements	–	3,940
Loss on disposal of other intangible assets	–	72
Gains on remeasurement of previously held equity interests	–	(15,212)
Fair value loss/(gain) on derivative financial instruments		
Foreign currency forward contracts	–	1,508
Foreign currency option contracts	(1,756)	(16,259)
Capped and floored cross currency swap	42,299	(44,938)
Cross currency swap	(16,405)	–
Changes in provision for obligation to return dairy cows	(1,506)	(3,318)
Fair value gain on commitment to non-controlling interests	(37,992)	(41,935)
Gain on partial redemption of long term bonds	(2,906)	(20,901)
Bargain purchase arose in the acquisition of business	–	(26,204)
Others	6,942	4,662
	<u>(49,927)</u>	<u>(84,811)</u>
Total		

Finance Costs

During the year, the Group's finance costs amounted to RMB637.2 million (2024: RMB528.7 million), representing an increase of 20.5% yoy. Among which, 1) the financial costs for interest-bearing borrowings were RMB544.5 million (2024: RMB431.7 million), a yoy increase of 26.1%, mainly due to the issuance of USD350 million in new US dollar bonds with extra interest bearing during the year; and 2) the financial costs for lease liabilities were RMB92.7 million (2024: RMB97.0 million), a yoy decrease of 4.4%, which was mainly due to the decrease in the scale of lease liabilities.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group's cash EBITDA (non-IFRS financial measure) amounted to RMB3,063.3 million during the year (2024: RMB2,985.8 million), representing an increase of 2.6% yoy. The cash EBITDA margin was 24.3% (2024: 22.5%), with a yoy increase of 1.8 ppt, which reflects the resilience of the Group's financial strength.

Taking into account the above factors, loss attributable to owners of the Company amounted to RMB1,128.6 million during the year (2024: loss of RMB1,416.8 million).

During the year, basic loss per share of the Company (the "Share") was RMB14.41 cents (2024: loss of RMB18.09 cents per Share). Diluted loss per Share was RMB14.41 cents (2024: loss of RMB18.09 cents per Share), representing a yoy decrease of 20.3%.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2025, the net gearing ratio of the Group, which was calculated on the basis of the amount of total interest-bearing borrowings less cash and deposit assets as a percentage of the total equity, was 115.7%, an increase of 18.6 ppt as compared to 97.1% as at 31 December 2024, mainly because the Group has actively seized the opportunities in the domestic and international financing markets during the year, where it appropriately increased interest-bearing borrowings, aiming to optimize its debt structure and reduce its overall financing costs.

GROUP STRUCTURE

Save as disclosed in this report, during the year, there was no material change in the structure of the Group.

CAPITAL STRUCTURE

As at 31 December 2025, the total number of ordinary shares in issue of the Company was 7,915,662,048 shares (31 December 2024: 7,915,662,048 shares).

As at 31 December 2025, the net assets attributable to owners of the Company amounted to approximately RMB8,294.4 million (31 December 2024: approximately RMB9,531.0 million), the net borrowings of the Group (total interest-bearing borrowings less cash and deposit assets) amounted to approximately RMB11,355.0 million (31 December 2024: approximately RMB10,795.4 million).

During the year, the Company optimised its capital structure and diversified the funding sources of the Company to support the Company's ongoing business development by issuing sustainability bonds. The Company issued U.S.\$350,000,000 4.875 per cent sustainability bonds due 2030 (the "Bonds") in July 2025. Please refer to the announcement issued by the Company on 3 July 2025 regarding the proposed issuance of the Bonds and the offering circular issued by the Company on 11 July 2025 regarding the offering of the Bonds for further details.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2025, no buildings and equipment of the Company (31 December 2024: nil) were pledged as security for the Group's borrowings.

As at 31 December 2025, biological assets with carrying value of RMB1,101.1 million (31 December 2024: RMB1,038.6 million), and properties of RMB15.8 million (31 December 2024: RMB15.9 million) were pledged as security for the Group's borrowings.

As at 31 December 2025, no trade receivables (31 December 2024: RMB4.83 million) were pledged as security for the Group's borrowings.

Except as disclosed above, the Group did not have any significant contingent liabilities as at 31 December 2025 and 2024.

CAPITAL COMMITMENTS

As at 31 December 2025, the Group's capital commitments in relation to the acquisition of property, plant and equipment amounted to RMB84.5 million (31 December 2024: RMB247.2 million) with a decrease of RMB162.7 million yoy.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not have any significant acquisitions and disposals during the year.

FINANCIAL MANAGEMENT POLICIES

The Group mainly operates its business in Chinese Mainland, and the foreign exchange risks related to its operations are not significant. Even so, the Group still strictly monitors and controls potential financial risks. The Group's major financial instruments include equity instruments at FVTOCI, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bank borrowings, other borrowings, long term bonds, derivative financial instruments and certain other liabilities. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The Group was primarily subject to foreign currency risk from the movement of the exchange rates between RMB against USD. We manage the foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and entering into foreign currency option contracts or capped and floored cross currency swap, when necessary.

We manage the interest rate risk (if any) by performing regular reviews of the Group's net interest rate exposures and entering into interest rate swap contracts, when necessary.

For credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action if necessary is taken to recover overdue debts (if applicable).

The management believes the risks associated with the financial instruments were properly managed and didn't pose material impact to the Group's operation.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2025, the Group had approximately 9,178 employees (31 December 2024: 9,007 employees) in the PRC and Hong Kong. As a result of continuous expansion of the Group's business scale, the number of employees increased during the year, and the total staff costs of the Group amounted to (excluding equity-settled share award expense) approximately RMB1,088.3 million (2024: RMB1,152.3 million), a yoy decrease of 5.5%.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. Payments to defined contribution retirement benefit under the state-managed retirement benefit schemes in the PRC (the "**State-managed Retirement Benefit Schemes**") are charged as an expense when employees have rendered service entitling them to the contribution. The PRC employees of the Group are eligible members of the State-managed Retirement Benefit Schemes operated by the government of the PRC. The employees of the PRC subsidiaries of the Company are required to contribute in accordance with employee pension insurance and other insurance benefits requirements on monthly basis to the State-managed Retirement Benefit Schemes to fund the benefits. The only obligation of the Group with respect to the State-managed Retirement Benefit Schemes is to make the required contributions under the schemes. Employees in Hong Kong are provided with retirement benefits, under the Mandatory Provident Fund scheme and medical insurance.

The Group continued to optimize its human resources strategy in 2025. With the core objective of “helping the Group build a new pattern of sustainable and stable operation”, and focusing on three core measures of “fully stimulating team vitality, opening up communication channels between superiors and subordinates and creating an efficient and collaborative atmosphere”, Modern Dairy’s excellent operation and management system has been iterated and upgraded to promote the standardization and refinement of the management system. By upgrading the dual-excellence performance system, deepening the all-staff competition and honor-driven mechanism, the organization’s vitality has been fully activated, and team cohesion and innovation have been significantly enhanced. By building a dual-track talent pool and a five-specialized talent empowerment system, the internal talent supply rate has been significantly improved, and the core talent reserve has been continuously strengthened, providing solid talent support for the Group’s high-quality development. The Group strictly adheres to relevant laws and regulations, provides competitive compensation and diversified benefits, has a sound employee health and safety protection mechanism, and has won numerous industry awards for its outstanding employer practices, successfully creating a happy workplace ecosystem. By deeply integrating talent with business operations and synergistically upgrading organization and efficiency, we can achieve symbiotic value creation between employees and the Company, share the Company’s operating results, and jointly realize the Group’s high-quality development strategic goals.

SOCIAL RESPONSIBILITY

Upholding the principle of “safety and quality come first”, the Group is proactive when it comes to fulfilling its social responsibility. The Group devotes great effort to strike a balance between business growth and social responsibility, so as to convey the Group’s care and blessing to all stakeholders. The Group is committed to improving the quality of its products by providing consumers with a commitment to provide healthy, safe, nutritious and high-quality dairy products. Meanwhile, it adheres to the production principle of energy conservation and environmental protection.

The Group actively promotes the economic development of the surrounding areas where the farms are located and increases the income of local residents. The Group actively implements the precise poverty alleviation policy, responds to the call of poverty alleviation, and is devoted to poverty alleviation within the industry and society. Firstly, the contracts of silage planting were signed with local farmers in the farming areas to reduce the impact of natural disasters on crop harvest and simultaneously solve the local employment problem. The Group’s farms provide multiple jobs throughout the country, effectively alleviating the pressure of surplus rural labor force and increasing the income of local farmers. The Group also undertakes social responsibility and promotes local economic development through measures such as making direct donation of materials, money and paying visits to nursing homes. During the year, the Group has made charitable and other donations amounting to approximately RMB3.01 million.

PROSPECTS

Looking ahead, the Group will continue to focus on the dairy farming industry, guided by market demand and national policies, to consolidate its cost-leading advantage and continuously enhance the overall competitiveness and resilience of the industry chain. We will adhere to innovation-driven and high-quality development, actively promote digital transformation and green, low-carbon and circular models, and explore value creation across the entire industry chain, striving to become a globally leading modern and intelligent dairy farming group.

Our development strategy will be further advanced in the following three aspects:

- 1. Consolidate and strengthen core business:** We will further optimize the dairy herd structure, improve milk yield per cow and raw milk quality, and continue to promote the increase in the proportion of specialty milk (such as organic milk, A2 milk, etc.). We will strengthen cost control and promote steady improvement in production efficiency and profitability through lean management, technology upgrades and the application of digital tools. Meanwhile, we will advance green and low-carbon development and improve the whole-cycle ecological model of “forage planting – cow breeding – fertilizer treatment – biogas power generation – fertilizer back to the field” to achieve efficient resource utilization and carbon emission reduction targets and ensure that our core business maintains steady growth amid industry cycle fluctuations. Furthermore, we plan to acquire all issued shares of China Shengmu Organic Milk Limited (“CSM”). Upon successful consolidation of CSM as our subsidiary, we would be able to expand our scale of business, leverage economies of scale, and enhance production mix with higher average selling price. Please refer to the section headed “Events after the Reporting Period” for further details.
- 2. Accelerate the expansion of new businesses and the second growth curve:** We will deepen the research and development of breeding technologies and strengthen the construction of a high-yield and high-quality dairy cow breeding system; and we will also vigorously develop forage planting and feed business to improve forage quality and yield and thus enhance overall efficiency. Meanwhile, we will promote the online procurement and consultation platforms for farm supplies to efficiently aggregate high-quality resources; and we will also realize 24/7 digital monitoring of dairy cow health, thereby providing advanced smart farming solutions for the Group and the entire industry chain.
- 3. Actively explore pathways for extending the industrial chain and expanding international business:** We will accelerate the development of a full-chain business model for dairy farming services, and work with universities, research institutions and industry partners to promote technology sharing and model innovation. In addition, we will actively explore overseas markets and gradually implement the “going global” strategy through technology and management exports, with the aim of exporting China’s advanced model of large-scale dairy farming and enhancing the Group’s influence and competitiveness in the global dairy value chain.

We will focus on five major upgrade goals – “lean, digital, green, international and human-centered” – to drive low-carbon transformation through digital and intelligent innovation. While pursuing high-quality development, we will also actively fulfill our social responsibilities, contribute to rural revitalization, and strive to become a leading dairy farming enterprise with global competitiveness and a high sense of social responsibility.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Company has, throughout the year and up to the date of this announcement, complied with the code provisions set out in the CG Code except for the deviation from code provisions C.1.6.

Code provision C.1.6 of the CG Code provides that non- executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders of the Company. Mr. Zhang Ping, a non-executive Director, and Mr. Lee Kong Wai, Conway, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 12 June 2025 due to other business arrangements. The views of the Shareholders had been reported to Mr. Zhang and Mr. Lee after the annual general meeting.

Save as disclosed above, the Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with all applicable code provisions of the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

Save as disclosed in this report, neither the Company nor any of its subsidiaries purchased, redeemed, cancelled or sold any of the Company's listed securities during the year, except that the trustee of the share award scheme of the Company, pursuant to the rules of which, purchased on the open market of the Main Board of the Hong Kong Stock Exchange a total of 40,919,000 (2024: 71,585,000 shares) ordinary shares of the Company, served as restricted shares at a consideration of approximately HK\$51,189,240 (equivalent to RMB46,784,000) (2024: HK\$57,494,000 (equivalent to RMB52,590,000)). The repurchase of shares of the Company during the year is as below:

	No. of Shares purchased
2025	
September	29,209,000
October	<u>11,710,000</u>
	<u>40,919,000</u>
	No. of Shares purchased
2024	
May	26,950,000
June	9,964,000
October	16,617,000
November	16,377,000
December	<u>1,677,000</u>
	<u>71,585,000</u>

DIVIDEND

The Board did not recommend the payment of final dividend (2024: RMB0.0122).

No interim dividend was paid during the year (2024: nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 2 June 2026 to Friday, 5 June 2026 inclusive, for the purpose of ascertaining shareholders' eligibility to attend and vote at 2026 AGM. In order to be eligible to attend and vote at 2026 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 1 June 2026. The record date for ascertaining shareholders' eligibility to attend and vote at 2026 AGM is Friday, 5 June 2026.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to (i) the announcement issued by the Company on 30 October 2025 regarding, among others, the possible mandatory conditional cash offer by CLSA Limited, for and on behalf of the Company, to acquire all the issued shares of China Shengmu Organic Milk Limited ("CSM") (other than those already owned or agreed to be acquired by the Company and Start Great Holdings Limited) (the "**Rule 3.5 Announcement**"), (ii) the announcement jointly issued by the Company and CSM on 20 November 2025 regarding the extension of the latest time for despatch of the Offer Document, (iii) the announcements jointly issued by the Company and CSM on 19 December 2025 and 19 January 2026 in relation to monthly update on the Offer, (iv) the circular issued by the Company on 24 December 2025 in connection with the transactions contemplated under the Share Purchase Agreements and the Offer (the "**CMD Circular**") and (v) the announcement issued by the Company on 16 January 2026 in relation to the poll results of the Company EGM (the "**16 Jan Announcement**").

As disclosed in the Rule 3.5 Announcement, the making of the Offer is subject to the SPA Completion having taken place under any Share Purchase Agreement, and the SPA Completion is in turn subject to satisfaction or (if capable of being waived) waiver of all the conditions precedent (as set out in the Rule 3.5 Announcement) on or prior to the Long Stop Date. Since the publication of the Rule 3.5 Announcement, the Company has been actively taking steps in connection with the satisfaction of aforementioned conditions precedent. As set out in the 16 Jan Announcement, the requisite approval by the Company's Independent Shareholders has been obtained at the Company's EGM held on 16 January 2026. As at the date of this announcement, other than the conditions as set out in paragraphs (d) and (e) under the section headed "Conditions of the Share Purchase Agreements" in the Rule 3.5 Announcement, no other conditions precedent under the Share Purchase Agreements have been satisfied or (if capable of being waived) waived.

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

As the acquisition has not been completed as at the date of this announcement, the transaction has no impact on the consolidated financial position or performance of the Group for the year ended 31 December 2025. Due to the ongoing nature of the acquisition, it is not yet practicable to provide a reliable estimate of the financial effect of the acquisition on the Group's future consolidated financial statements.

SCOPE OF WORK OF KPMG

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG ("KPMG"), to the amounts set out in the Group's audited consolidated financial statements for the year, and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang and one non-executive Director, Mr. Zhang Ping. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company, and discussed the risk management and internal control systems and financial reporting matters including the review of the audited results for the year ended 31 December 2025.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2025 will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.moderndairyir.com) in due course.

BOARD OF DIRECTORS

As of the date of this announcement, the executive Directors are Mr. Sun Yugang and Mr. Zhu Xiaohui, the non-executive Directors are Mr. Chen Yiyi (Chairman), Mr. Zhang Ping, Mr. Wen Yongping and Ms. Gan Lu, and the independent non-executive Directors are Mr. Li Shengli, Mr. Lee Kong Wai, Conway and Mr. Chow Ming Sang.

APPRECIATION

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

On behalf of the Board
China Modern Dairy Holdings Ltd.
Mr. Chen Yiyi
Chairman

Hong Kong, 24 March 2026