

PLACING AND SUBSCRIPTION AGREEMENT, made on 16 January 2026

AMONG

- (1) **CHINA YOURAN DAIRY GROUP LIMITED** (the "**Company**", together with its subsidiaries, the "**Group**"), a company registered in the Cayman Islands and having its registered address at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands and its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong;
- (2) **BOYUAN INVESTMENT HOLDING LIMITED** (the "**Seller**"), a company registered in the Cayman Islands and having its registered address at P.O. Box 472, Harbour Place, 2nd Floor, North Wing, 103 South Church Street, George Town, Grand Cayman, Cayman Islands KY1-1106;
- (3) **J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED** ("**JPM**"), a company incorporated in Hong Kong and having its registered address at 28th Floor, Chater House, 8 Connaught Road Central, Hong Kong; and
- (4) **CLSA LIMITED** ("**CITIC CLSA**", together with JPM, the "**Managers**" and each of them a "**Manager**"), a company incorporated in Hong Kong and having its registered address at 18th Floor, One Pacific Place, 88 Queensway, Hong Kong.

WHEREAS

- (A) Subject to the terms and conditions set out in this placing and subscription agreement (the "**Agreement**"), the Seller agrees to sell, and the Managers agree, each on a several but not joint nor joint and several basis, as agents of the Seller, to procure on a best effort basis purchasers to purchase certain ordinary shares of US\$0.00001 each (the "**Shares**") in the issued share capital of the Company (the "**Sale**").
- (B) Subject to the terms and conditions set out in this Agreement, the Company agrees to issue to the Seller, and the Seller agrees to subscribe for, certain Shares (the "**Subscription**").
- (C) On 16 January 2026, the Company, the Seller and JPM entered into a written engagement (the "**JPM Written Engagement**") pursuant to which for the purpose of effecting the Sale, the Seller and the Company have appointed JPM to act as a capital market intermediary (as defined under Rule 1.01 of the Listing Rules) (a "**CMI**") and as the overall coordinator (as defined under Rule 1.01 of the Listing Rules) (the "**OC**").
- (D) On 16 January 2026, the Company, the Seller and CITIC CLSA entered into a written engagement (the "**CITIC CLSA Written Engagement**", together with the JPM Written Engagement, the "**Written Engagement**") pursuant to which for the purpose of effecting the Sale, the Seller and the Company have appointed CITIC CLSA to act as a CMI.
- (E) On 16 January 2026, the Company and the Seller entered into a share subscription agreement (the "**CS Subscription Agreement**") pursuant to which the Company agrees to issue to the Seller, and the Seller agrees to subscribe for (the "**CS Subscription**"), 299,250,000 Shares (the "**CS Subscription Shares**"). Pursuant to the written engagement entered into by the Company and JPM on 16 January 2026, the Company has engaged JPM as its lead financial adviser for the CS Subscription.

THE PARTIES AGREE AS FOLLOWS

1. PURCHASE AND SALE

- (a) The Seller and the Company have appointed JPM to act as a CMI and the OC in relation to the Sale pursuant to the JPM Written Engagement. The Seller, the Company and JPM hereby confirm such appointment subject to the terms and

conditions of this Agreement, pursuant to which JPM, as a CMI and the OC, shall (i) conduct one or more of the specified activities specified under paragraphs 21.1.1 and 21.2.3 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code of Conduct**"); and (ii) discharge the relevant roles and obligations under paragraphs 21.3 and 21.4 of the Code of Conduct.

- (b) The Seller and the Company have appointed CITIC CLSA to act as a CMI in relation to the Sale pursuant to the CITIC CLSA Written Engagement. The Seller, the Company and CITIC CLSA hereby confirm such appointment subject to the terms and conditions of this Agreement, pursuant to which CITIC CLSA, as a CMI, shall (i) conduct one or more of the specified activities specified under paragraph 21.1.1 of the Code of Conduct; and (ii) discharge the relevant roles and obligations under paragraph 21.3 of the Code of Conduct.
- (c) The obligations of the Managers under this Agreement (and, in particular, each of their obligations in relation to procuring purchasers for the Sale Shares (as defined below)), shall be several only (and not jointly nor on a joint and several basis). For the avoidance of doubt, each of the Managers will be responsible under this Agreement on a several (and not joint nor joint and several) basis only for its own actions and omissions and will not be responsible in any manner for any actions or omissions of the other Manager. None of the Managers will be liable for any failure on the part of the other Manager to perform its obligations in this Agreement. Notwithstanding the foregoing, each of the Managers shall be entitled to enforce any or all of its rights under this Agreement either alone or jointly with the other Manager.
- (d) Subject to the terms and conditions of this Agreement, the Seller agrees to sell, and the Managers agree, severally and not jointly nor jointly and severally, as agents of the Seller, to procure on a best effort basis purchasers to purchase 299,250,000 Shares (the "**Sale Shares**") at a price of HK\$3.92 per Share (the "**Purchase Price**"). The number of Sale Shares for which each of the Managers shall be appointed as agent to procure on a best effort basis purchasers to purchase under this Agreement shall be several only (and not joint nor joint and several), and shall be in the following proportions (each a "**Relevant Proportion**"):

Manager	Relevant Proportion
JPM	95%
CITIC CLSA	5%

- (e) The Seller hereby acknowledges that each of the Managers is authorised to appoint one or more sub-placing agents or selling agents in the United States and/or elsewhere and that such agents shall be agents of the Seller relating to the Sale, and the Seller hereby authorises and confirms that it will ratify and approve all actions lawfully, properly and reasonably taken or to be taken by such Manager and such agents in connection with the Sale in accordance with the terms of this Agreement, and the Managers shall appoint such agent(s) as non-syndicate CMI(s) in accordance to the Code of Conduct.
- (f) Any transaction carried out by any of the Managers (and any agents referred to in Clause 1(e)) in accordance with this Agreement on behalf of the Seller shall constitute a transaction carried out at the request of the Seller, as agent for the Seller, and not in respect of or for the benefit of the relevant Manager's own account.

- (g) In discharging its obligations in Clause 1(b), each of the Managers or its nominees may elect to purchase some or all of the Sale Shares which constitutes its Relevant Proportion as principal from the Seller at the Purchase Price and, in that event, these Sale Shares may be onsold to purchasers at any prices as such Manager may determine (subject to the applicable requirements under the Code of Conduct), without any obligation to notify the Seller of such election or of the number of Sale Shares so purchased or of the prices at which those Sale Shares are sold to purchasers.
- (h) The Purchase Price does not include, and the purchasers are responsible for and shall pay brokerage, The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") trading fee of 0.00565%, the Securities and Futures Commission of Hong Kong (the "**SFC**") transaction levy of 0.0027%, Accounting and Financial Reporting Council (the "**AFRC**") transaction levy of 0.00015% and Hong Kong ad valorem stamp duty at the rate of 0.1% as may be payable by purchasers.
- (i) Each of the Manager may select brokers of its choice to report placing of the Sale Shares to the Hong Kong Stock Exchange and to effect the placing of such Sale Shares on the Hong Kong Stock Exchange as a crossing on the Hong Kong Stock Exchange.
- (j) Each of the Managers shall solely determine the choice of professional, institutional or other investors whom such Manager shall procure to purchase any of the Sale Shares pursuant to its obligations hereunder (the "**Placees**", each a "**Placee**"), subject to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").
- (k) Each of the Managers may provide its services under this Agreement through, or in conjunction with, one or more of its affiliates, provided that such Manager shall remain responsible for the services provided by such affiliates.

2. **CLOSING OF SALE**

- (a) The closing of the Sale (the "**Closing of the Sale**") shall take place on the second business day after the date of this Agreement or at such other time and/or date as the Seller and the Managers agree (the "**Closing Date**"). JPM or its nominee shall act as the settlement agent of the Sale (the "**Settlement Agent**").
- (b) Closing of the Sale shall take place in the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited ("**CCASS**") on a free of payment basis. By no later than 9:00 a.m. on the Closing Date, the Seller shall procure its designated CCASS participant(s) to give an irrevocable delivery instruction to effect a book-entry settlement of the Sale Shares in accordance with this Agreement and the General Rules and the Operational Procedures of CCASS to the credit of the stock account of the CCASS participant(s) specified by the Settlement Agent before the Closing Date.
- (c) CITIC CLSA shall pay or procure to be paid to the Settlement Agent on a delivery-versus-payment basis by no later than 9:00 a.m. (or such other time as may be notified by the Settlement Agent to CITIC CLSA) on the Closing Date an amount equivalent to the Purchase Price multiplied by the number of Sale Shares actually placed by CITIC CLSA, together with the Hong Kong Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy and ad valorem stamp duty payable by the purchasers of such Sale Shares, to the designated CCASS Participant account to be notified by the Settlement Agent to CITIC CLSA in writing no later than the business day before the Closing Date.

- (d) Against receipt of payment as set out in Clause 2(c) and delivery of the Sale Shares as set out in Clause 2(b), the Settlement Agent shall pay or procure there to be paid an amount equal to the number of Sale Shares actually placed by the Managers multiplied by the Purchase Price, less any amount authorised to be deducted pursuant to Clauses 7 and 8, by electronic funds to the bank account of the Company as set out below, with a view to providing funds for payment of the Subscription, such funds will be received and held by the Company on trust for the Seller pending application in payment of the Subscription. The Seller and the Company acknowledge that payment to such bank account shall constitute a complete discharge of the Managers' obligations to purchase or procure the purchase of the Sale Shares hereunder.

Client Name : China Youran Dairy Group Limited

Account Currency : HKD

Beneficiary Bank (For the account of) : The Hongkong and Shanghai Banking Corporation Limited

Address : HSBC Main Building, 1 Queen's Road Central, Hong Kong

SWIFT Code : HSBCHKHHHKH

Beneficiary Name (For Credit To) : China Youran Dairy Group Limited

Account Number : 741-514889-838

Any payment made to the bank account set out above shall be deemed payment made to the Seller pursuant to this Clause 2(d).

The Seller acknowledges that payment made to the above bank account in accordance with this Clause 2(d) shall constitute a full discharge of the Managers' payment obligation to the Seller pursuant to this Agreement.

3. **CONDITIONS PRECEDENT TO CLOSING OF THE SALE**

- (a) The obligations of the Managers hereunder shall be subject to the following conditions (the "**Sale Conditions**"):

- (i) before the Closing of the Sale, there shall not have occurred:

(A) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Group taken as a whole; or

(B) any suspension or limitation of trading (aa) in any of the Company's securities by the Hong Kong Stock Exchange, or (bb) generally on the Hong Kong Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq National Market; or

(C) any outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom or any other member of the European Economic Area (together, the "**Relevant Jurisdictions**", each a "**Relevant Jurisdiction**") of a national emergency or war or other calamity or crisis; or

- (D) any material disruption in commercial banking or securities settlement or clearance services in any Relevant Jurisdiction and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in any Relevant Jurisdiction; or
- (E) any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in any Relevant Jurisdiction or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation,

that, in the sole judgment of the Managers, would make the placement of the Sale Shares or the enforcement of contracts to purchase the Sale Shares impracticable or inadvisable, or would materially prejudice trading of the Sale Shares in the secondary market;

- (ii) the representations and warranties made by any of the Company and the Seller pursuant to this Agreement being true and accurate and not misleading as of the date of this Agreement and the Closing Date;
- (iii) each of the Company and the Seller having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under this Agreement on or before the Closing Date;
- (iv) the Managers having received on the Closing Date the final draft or substantially complete draft of the CSRC Filings (as defined in Clause 9) and the opinion of Tian Yuan Law Firm, counsel for the Company as to the PRC laws in relation to the CSRC Filings, such drafts to be in form and substance reasonably satisfactory to the Managers;
- (v) the Managers having received on the Closing Date an opinion of Ogier, counsel for the Company as to Cayman Island laws, relating to such matters as the Managers shall reasonably request, such opinion to be in form and substance reasonably satisfactory to the Managers;
- (vi) the Managers having received on the Closing Date an opinion of Ogier, counsel for the Seller as to the Cayman Islands laws, relating to such matters as the Managers shall reasonably request, such opinion to be in form and substance reasonably satisfactory to the Managers;
- (vii) the Managers having received on the Closing Date an opinion of King & Wood Mallesons, counsel for the Company as to Hong Kong laws, relating to such matters as the Managers shall reasonably request, such opinion to be in form and substance reasonably satisfactory to the Managers;
- (viii) the Managers having received on the Closing Date an opinion of Haiwen & Partners, counsel for the Managers as to the PRC laws, relating to such matters as the Managers shall reasonably request including in relation to the CSRC Filings, such opinion to be in form and substance reasonably satisfactory to the Managers; and
- (ix) the Managers having received on the Closing Date an opinion of Allen Overy Shearman Sterling, U.S. counsel to the Managers, to the effect that the offer and sale of the Sale Shares by the Managers as set forth in this Agreement are not required to be registered under the U.S. Securities Act of 1933, as

amended (the "**Securities Act**"), such opinion to be in form and substance reasonably satisfactory to the Managers.

- (b) The Company and the Seller shall use their respective reasonable endeavours to procure the fulfilment of the Sale Conditions (other than the conditions set out in Clauses 3(a)(viii) and 3(a)(ix)) on or before the Closing Date. The Managers in their sole discretion may waive any of the Sale Conditions, in whole or in part and with or without conditions, by notice to the Company and the Seller. In the event that (i) any of the events set out in Clause 3(a)(i) occurs at any time between the date of this Agreement and the Closing Date, or (ii) the Seller does not deliver the Sale Shares on the Closing Date, or (iii) any of conditions set out in Clauses 3(a)(ii) to 3(a)(ix) has not been satisfied or waived in writing on the dates specified therein, the Managers may elect, in their sole discretion, to terminate this Agreement forthwith, provided that Clauses 3(c), 8, 14, 15, 17, 18 and 19 shall survive such termination and remain in full force and effect, and provided further that if the Seller shall have delivered some but not all of the Sale Shares on the Closing Date, the Managers shall have the option to effect the Sale with respect to such Sale Shares as have been delivered, but such partial Sale shall not relieve the Seller from liability for its default with respect to the Sale Shares not delivered.
- (c) Notwithstanding Clauses 3(a) and 3(b):
 - (i) each of the Managers may (at its sole discretion) agree with one or more purchasers to sell some or all of the Sale Shares constituting such Manager's Relevant Proportion to such purchaser(s) (on behalf of the Seller) on the basis that the conditions in this Clause 3 shall not apply in relation to such sales, and, for the avoidance of doubt:
 - (A) if such Manager sells some or all of the Sale Shares in accordance with the foregoing:
 - (aa) the Seller shall deliver, in accordance with this Agreement, to such Manager such number of Sale Shares as notified by such Manager to the Seller for these purposes; and
 - (bb) to the extent any purchaser procured by such Manager pursuant to this Clause 3(c)(i) defaults on its obligations to make payment for its Sale Shares on the Closing Date, such Manager agrees to purchase such Sale Shares at the Purchase Price; and
 - (B) if any conditions set out in Clause 3(a) are waived in respect of the sales referred to in Clause 3(c)(i), such Manager shall not be required to issue any notice to the Company or the Seller in respect of such waiver;
 - (ii) if any of the Sale Conditions have not been satisfied and have not been waived by or at Closing of the Sale, any Manager may elect to procure purchaser(s) for or purchase such number of the Sale Shares as the relevant Manager may, in its sole discretion, determine, at the Purchase Price per Sale Share, in which case, to the extent any purchaser so procured by such Manager defaults on its obligations to make payment for its Sale Shares on the Closing Date, such Manager agrees to purchase such Sale Shares at the Purchase Price, and the Seller shall accordingly deliver, in accordance with this Agreement, to such Manager such number of Sale Shares as notified by such Manager to the Seller; and

- (iii) any sale or purchase of some or all of the Sale Shares under either Clause 3(c)(i) or 3(c)(ii), and any waiver by any Manager in relation to a purchaser pursuant to its rights under Clause 3(c)(i), shall not relieve the Seller from a continuing obligation to satisfy the requirements set out in Clauses 3(a)(ii) to 3(a)(vii) as continuing obligations of the Company and the Seller (notwithstanding the waiver of those Clauses as conditions of such Manager's obligations hereunder), such continuing obligations being accepted by the Company and the Seller, nor relieve the Company and the Seller from any liability for any breach of its obligations, representations or warranties under this Agreement.

4. **SUBSCRIPTION**

- (a) The Seller agrees to subscribe as principal for, and the Company agrees to issue, Shares (the "**Subscription Shares**") at the Purchase Price, in the same amount as the total number of Sale Shares actually sold by the Seller pursuant to Clause 2, free from all pledges, liens, charges and encumbrances, equities, security interests or other claims on the terms and subject to the constitutional documents of the Company and the conditions set out in this Agreement.
- (b) The Company agrees that the Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment.

5. **CLOSING OF SUBSCRIPTION**

- (a) Closing of the Subscription (the "**Closing of the Subscription**") shall take place on the business day after the date upon which the last of the conditions to completion of the Subscription as set out in Clause 6(a) (the "**Subscription Conditions**") to be satisfied shall have been so satisfied, provided that it shall take place on a date no later than 14 days after the date of this Agreement, or at such other time and/or date as the Company, the Seller and the Managers may agree in writing and in compliance with the Listing Rules.
- (b) By no later than the business day prior to the Closing of the Subscription, the Seller shall pay or shall procure the payment of a sum equal to the aggregate of the Purchase Price multiplied by the number of Subscriptions Shares, less any amount authorised to be deducted pursuant to Clauses 7 and 8 (the "**Subscription Monies**"), by utilising and releasing to the Company the same amount paid to the Company's bank account pursuant to Clause 2(c).
- (c) Against payment of the Subscription Monies as set out in Clause 5(b), the Company shall:
 - (i) forthwith allot and issue to the Seller (or as it may direct) the Subscription Shares and shall promptly register without registration fee the Seller and/or its nominees as members in respect of the Subscription Shares; and
 - (ii) at the option of the Seller, either: (A) deliver to the Seller (or as it may direct) the definitive certificates in respect of the Subscription Shares in favour of the Seller and/or its nominees; or (B) deposit the certificates into the account of the relevant CCASS participant with whom the Seller has accounts in accordance with the Seller's instructions.

6. **CONDITIONS PRECEDENT TO THE CLOSING OF SUBSCRIPTION**

- (a) Closing of the Subscription is conditional upon the fulfilment of the following conditions:
 - (i) the Listing Committee of the Hong Kong Stock Exchange (the "**Listing Committee**") granting listing of and permission to deal in the Subscription Shares (the "**Listing Approval**") and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares under Clause 5(c);
 - (ii) Closing of the Sale having occurred pursuant to the terms of this Agreement; and
 - (iii) the Seller having obtained a waiver (the "**Top-up Waiver**") from the SFC under Note 6 to Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") in connection with the Subscription and such waiver not having been subsequently revoked prior to the delivery of definitive share certificates representing the Subscription Shares under Clause 5(c).
- (b) The Company shall, as soon as is reasonably practicable, apply to the Hong Kong Stock Exchange for the granting of Listing Approval after the signing of this Agreement and the Company shall promptly inform the Managers and the Seller following the receipt of the Listing Approval. The Company shall furnish such information, supply such documents, pay such fees and do all such acts and things as may reasonably be required by the Seller, the Managers, the Hong Kong Stock Exchange and/or the SFC in connection with the fulfilment of the Subscription Conditions.
- (c) In relation to the Listing Approval, each of the Managers shall no later than the second Business Day after the date of this Agreement submit to the Hong Kong Stock Exchange in the prescribed form a list of the Placees procured by it under the Sale. Each of the Managers shall also furnish such information, supply such documents and do all such acts and things as may be reasonably requested by the Hong Kong Stock Exchange and the SFC in relation to such application by the Company.
- (d) The Company and the Seller shall use their respective reasonable endeavours to procure the fulfilment of the Subscription Conditions as soon as is reasonably practicable. If the Subscription Conditions are not fulfilled within 14 days after the date of this Agreement, or such later date as may be agreed among the Company, the Seller and the Managers, the obligations and liabilities of the Seller and the Company under the Subscription shall be null and void and neither the Company nor the Seller shall have any claim against the other for costs, damages, compensation or otherwise. Notwithstanding any provisions contained in this Agreement, the Managers shall not be liable whatsoever in connection with the Subscription.

7. **COMMISSIONS AND FEES**

In consideration of the services provided by the Managers under this Agreement, the Company, the Seller and the Managers agree as follows:

- (a) the Company and the Seller shall pay the Managers on the Closing Date:

- (i) a commission equal to 1% of the aggregate value of the Sale Shares at the Purchase Price (and each of the Managers shall be entitled to such commission in accordance with the Relevant Proportion); and
 - (ii) Hong Kong Stock Exchange trading fee of 0.00565%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and ad valorem stamp duty at the rate of 0.1%, as may be payable by the Seller and, if applicable, the Managers, in respect of the sale of the Sale Shares; and
- (b) the Settlement Agent shall be entitled to deduct on behalf of the Managers the commissions, fees and other amounts payable under this Clause 7 and Clause 8 from the amounts payable to the Seller pursuant to Clause 2. The Settlement Agent shall inform CITIC CLSA the sum deducted on behalf of it pursuant to this Clause 7 and any amount to be borne by CITIC CLSA pursuant to Clause 8 and shall remit its entitled amount within 30 days after the Closing Date by paying or procuring to pay such sum to the bank account as may be notified by it to the Settlement Agent in writing.

8. EXPENSES

- (a) The Company and the Seller shall each be responsible for its own expenses, including legal fees and fees of other advisers, in connection with this Agreement, the Sale and the Subscription.
- (b) The Company shall, as soon as reasonably practicable upon request and irrespective of whether each of the Sale and the Subscription is completed, reimburse each of the Managers for all reasonable out-of-pocket expenses properly incurred by it in connection with the execution of its obligations under this Agreement, any transactions contemplated by this Agreement and the CS Subscription (including, without limitation, printing, postage and telecommunications costs, and fees and expenses of the Managers' lawyers and other advisers) (collectively, the "**Out-of-Pocket Expenses**"), provided that the amount of the Out-of-Pocket Expenses shall be not more than US\$190,000 in aggregate for the Managers. Any Out-of-Pocket Expenses that are not reimbursed by the Company pursuant to this Clause 8(b) shall be borne by the Managers in accordance with the Relevant Proportion.
- (c) If this Agreement is terminated or if for any reason the Sale is not completed, the Company and the Seller shall remain liable to the Managers for the payment as referred to in Clause 8(b) and for any stamp duty, Hong Kong Stock Exchange trading fee, SFC transaction levy or AFRC transaction levy to the extent already incurred.
- (d) The Company shall bear and pay, or indemnify the Managers or any Relevant Person (as defined in Clause 14) in respect of, any stamp, withholding, documentary, transfer or other duties or taxes payable or incurred (together with any interest and penalties) by the Company, the Seller or the Managers (or purchasers procured by the Managers) or otherwise imposed on any person on or in connection with the Sale and the Subscription and the execution and delivery of this Agreement and any other tax payable in connection with the consummation of the transactions contemplated and the services rendered or duties performed by any Relevant Person (as defined in Clause 14) pursuant to this Agreement.
- (e) The Settlement Agent shall be entitled to deduct the relevant amounts mentioned in this Clause 8 from the amounts payable to the Seller pursuant to Clause 2.

- (f) The Managers shall also be entitled to retain for their own account any brokerage that they may receive from the purchasers in accordance with the Relevant Proportion.

9. POST-CLOSING FILINGS

The Company shall prepare and submit the filing report in relation to the Sale and Subscription, the CS Subscription and any transactions contemplated by this Agreement (the "**CSRC Filing Report**") and any relevant supporting materials (including, but not limited to, the PRC legal opinion to be issued by the counsel for the Company on the PRC laws, where applicable) (together with the CSRC Filing Report and including any amendments, supplements and/or modifications thereof, the "**CSRC Filings**") to the China Securities Regulatory Commission (the "**CSRC**") pursuant to the applicable requirements under the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境内企业境外发行证券和上市管理试行办法) and supporting guidelines issued by the CSRC on 17 February 2023 (as amended, supplemented or otherwise modified from time to time, the "**CSRC Filing Rules**").

The Company acknowledges and undertakes that in connection with the CSRC Filings to be made to the CSRC for the Sale and Subscription, the CS Subscription and any transactions contemplated by this Agreement, it and its directors shall:

- (a) comply with the requirements under the CSRC Filing Rules in the preparation and submission of the CSRC Filings;
- (b) ensure that all information and statements included in the CSRC Filings (including the CSRC Filing Report) are and will remain true, accurate and complete and not misleading, and that no material information or facts have been omitted or withheld;
- (c) ensure that (i) there are not and will not be any conflicting, inconsistent or materially different descriptions of facts contained in the CSRC Filings, (ii) the CSRC Filings contain and will contain descriptions of all material events and such other information as required to be reported pursuant to the CSRC Filing Rules or other applicable laws, regulations and rules, and (iii) the CSRC Filings and all other documents filed with the CSRC or issued by or on behalf of the Company in connection with the Sale and Subscription, the CS Subscription and any transactions contemplated by this Agreement do not and will not contain any statement or commentary that in any manner misrepresents or disparages laws, policies, business environment and judicial system of the PRC;
- (d) provide the Managers with a written confirmation duly signed by a director or authorised representative of the Company, immediately before submission of the CSRC Filings, to confirm that (i) the Company has complied with all relevant requirements under the applicable laws, regulations and regulatory requirements (including, without limitation, the CSRC Filing Rules and the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (关于加强境内企业境外发行证券和上市相关保密和档案管理工作的规定) issued by the CSRC on 24 February 2023 (as amended, supplemented or otherwise modified from time to time, the "**CSRC Archive Rules**", together with the CSRC Filing Rules, the "**CSRC Rules**")) and all relevant disclosure requirements in respect of the CSRC Filings pursuant to the CSRC Filing Rules; (ii) all information and statements included in the CSRC Filings are and will remain true, accurate and complete and not misleading, and that no material information or facts have been omitted or withheld; (iii) the CSRC Filings and all other documents filed with the CSRC or issued by or on behalf of the Company in connection with the Sale and Subscription, the CS Subscription and any transactions contemplated by this Agreement do not contain any statement or commentary that in any manner

misrepresents or disparages laws, policies, business environment and judicial system of the PRC; and (iv) the Company is not aware that any of the circumstances in connection of the CSRC Filings set forth in Article 20 of the CSRC Filing Rules has occurred, and undertake to promptly notify the Managers if any of such circumstances occurs or is expected to occur; and

- (e) shall not make any amendment, supplement or modification to the final draft or substantially complete draft of the CSRC Filings and (where applicable) the related PRC legal opinion delivered to the Managers under Clause 3(a)(iv) unless prior approval from the Managers of any such amendment, supplement or modification is obtained.

10. **REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS OF THE COMPANY AND THE SELLER**

- (a) The Company and the Seller hereby make the representations, warranties and undertakings set out in Schedule 1 to the Managers on and as of the date of this Agreement and the Closing Date.
- (b) The Company and the Seller acknowledge that each of the Managers is entering into this Agreement in reliance upon each of the representations, warranties and undertakings set out in Schedule 1. The Company and the Seller shall promptly notify the Managers if at any time on or before the Closing Date any of the representations or warranties set out in Schedule 1 ceases to be true and accurate or has become misleading in any respect or in the event that the Company or the Seller breaches any undertaking or fails to comply with any obligation under this Agreement in any respect.
- (c) None of the Company and the Seller shall, and each of the Company and the Seller shall procure that no member of the Group shall, prior to or on the Closing Date do or omit to do anything which may cause any of the representations, warranties and undertakings given by any of the Company and the Seller under this Agreement to be untrue.
- (d) To the extent not delivered together with the Sale Shares on the Closing Date, the Seller shall promptly pay or transfer to each of the Managers, for the benefit of the purchasers of the Sale Shares procured by it, all dividends, distributions and other rights declared, distributed or received in respect of such Sale Shares for which a record date occurs on or after the date of this Agreement.
- (e) Each of the Company and the Seller undertakes, at its own expense, to execute or procure to be executed all such documents and do all such acts and things as is necessary in order to give effect to the terms of the Written Engagement and this Agreement and to enable the sale and purchase of the Sale Shares and the issuance and subscription of the Subscription Shares to be carried out and given full force and effect and the terms of the CS Subscription Agreement and to enable the issuance and subscription of the CS Subscription Shares to be carried out and given full force and effect.
- (f) Each of the Company and the Seller undertakes to cooperate with and fully assist in a timely manner each of the Managers, to facilitate its performance of its duties, as the case may be, as the CMI and the OC and to meet its obligations and responsibilities under all applicable laws, regulations, rules and regulatory requirements (whether having the force of law or otherwise) from time to time in force, including, without limitation, the Code of Conduct, the Listing Rules and the CSRC Rules.

- (g) Each of the Company and the Seller undertakes, at its own expense, to give every assistance to each of the Managers to meet its obligations and responsibilities under the Code of Conduct, the Listing Rules and the CSRC Rules to provide relevant information to the Hong Kong Stock Exchange, the SFC, the CSRC and other regulators (including but not limited to the information under paragraph 21.4.8(a) of the Code of Conduct, where applicable).
- (h) Each of the Company and the Seller undertakes, except to the extent required by applicable law and save as permitted by this Agreement, not to disclose to any third party or publicly refer to the contents of this Agreement or the transactions contemplated by it before the Closing Date without the prior written consent of the Managers, except that the Company and the Seller may disclose such information to their advisers as necessary in connection with the Sale and the Subscription.
- (i) All payments to be made by the Company and the Seller to any Relevant Person (as defined in Clause 14) shall be made without withholding or deduction for or on account of any present or future tax unless the Company or the Seller is compelled by law to deduct or withhold such tax. In that event, the Company and the Seller shall pay such additional amounts as may be necessary in order that the net amounts received after such withholding or deduction shall equal the amounts that would have been received if no withholding or deduction had been made.
- (j) The Company and the Seller shall comply with all applicable laws, rules and regulations (including but not limited to the Listing Rules, the Takeovers Code, the Securities and Futures Ordinance (the "**SFO**"), the Code of Conduct and the CSRC Rules) and all applicable requirements of Hong Kong Stock Exchange, the SFC, the CSRC and any other applicable regulatory body (including all applicable filing, announcement and notice requirements) in connection with the transactions contemplated by this Agreement (including the Company and the Seller shall document the rationale behind their decision on allocation and pricing, in particular where the decision is contrary to the advice, recommendation(s) and/or guidance of the Managers) or the transactions contemplated by the CS Subscription Agreement.
- (k) The Company and the Seller shall each promptly provide the Managers upon request, with all such information known to it or which on reasonable enquiry ought to be known to it relating to the Company and/or any other member of the Group or otherwise as may be reasonably required by the Managers in connection with the transactions contemplated by this Agreement or the transactions contemplated by the CS Subscription Agreement for the purpose of complying with any applicable laws, rules and regulations (including the establishment of any defence to any action under any of the same, whether relating to due diligence or otherwise) or any requirement of Hong Kong Stock Exchange, the SFC, the CSRC or any other applicable regulatory body.
- (l) Each of the Seller and the Company shall promptly notify the Managers if it becomes aware of any intention of any connected person (as defined in the Listing Rules) of the Company to acquire any of the Sale Shares in the Placing.
- (m) The Company and the Seller shall each procure that particulars of every significant new factor known to it which is capable of materially and adversely affecting any of the Sale, the Subscription and the CS Subscription and which arises between the date hereof and the Closing of the Subscription and between the date hereof and the closing of the CS Subscription shall be promptly provided to the Managers.
- (n) Each of the Company and the Seller undertakes to notify the CSRC or the relevant PRC governmental authority of any material events that are required to be reported under the applicable laws, rules and regulations (including, without limitation, the

CSRC Rules), and to notify the Managers of any such material information to the extent permitted by applicable laws, rules and regulations.

- (o) The Company shall comply with all applicable laws, rules and regulations (including, without limitation, the CSRC Archive Rules) in connection with (A) the establishment and maintenance of adequate and effective internal control measures and internal systems for maintenance of data protection, confidentiality and archive administration; (B) the relevant requirements and approval and filing procedures in connection with its handling, disclosure, transfer and retention of transfer of state secrets and working secrets of government agencies or any other documents or materials that would otherwise be detrimental to national securities or public interest (the "**Relevant Information**"); and (C) maintenance of confidentiality of any Relevant Information.
- (p) Without prejudice to the foregoing obligations, the Company and the Seller each undertakes with the Managers that it shall do all such other acts and things as may be reasonably required to be done by it to carry into effect the transactions contemplated by this Agreement in accordance with the terms of this Agreement and to enable the sale and purchase of the Sale Shares and the issuance and subscription of the Subscription Shares, and the transactions contemplated by this Agreement in accordance with the terms of the CS Subscription Agreement and to enable the issuance and subscription of the CS Subscription Shares to be carried out and given full force and effect.

11. **REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS OF THE MANAGERS**

Each of the Managers hereby, severally (not jointly nor jointly and severally) makes the representations, warranties and undertakings (in respect of itself only) set out in Schedule 2 to the Company and the Seller on and as of the date of this Agreement and the Closing Date.

12. **ANNOUNCEMENT**

The Company shall release or cause to be released for publication, as soon as possible upon the execution of this Agreement, an announcement in relation to the transactions contemplated by this Agreement and the transactions contemplated by the CS Subscription Agreement and pursuant to the applicable requirements under the Listing Rules (the "**Post-signing Announcement**"), provided that prior approval of the content and the release of the Post-signing Announcement has been obtained from the Managers (such approval not to be unreasonably withheld or delayed).

13. **LOCK-UP**

- (a) The Seller shall not, and shall procure that none of its nominees, any person controlled by it, any trust associated with it or any person acting on its or their behalf shall, without the prior written consent of the Managers, (i) offer, sell, lend, contract to sell, pledge, grant any option over, make any short sale or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Seller or any Affiliate (as defined below) of the Seller or any person in privity with the Seller or any Affiliate of the Seller), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect

any such transaction, for a period beginning on the date of this Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to the sale of the Shares under this Agreement. As used in this Agreement, "Affiliate" shall have the meaning specified in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**").

- (b) The Company shall not, and the Seller shall procure that the Company will not, without the prior written consent of the Managers, (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, for a period beginning on the date of this Agreement and ending on the date which is 90 days after the Closing Date. The foregoing shall not apply to (a) the issue of the Subscription Shares under this Agreement, (b) the issue of the CS Subscription Shares under the CS Subscription Agreement, (c) the terms of any employee share option scheme or restricted share plan or share award plan of the Company (if any) adopted in compliance with the applicable laws and regulations and disclosed on the Hong Kong Stock Exchange's website; (d) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association, in compliance with the applicable laws and regulations and disclosed on the Hong Kong Stock Exchange's website; or (e) any issuance of new Shares as consideration for the acquisition of assets by the Group in compliance with the applicable laws and regulations and disclosed on the Hong Kong Stock Exchange's website.

14. **INDEMNITY**

- (a) Each of the Company and the Seller agrees to jointly and severally indemnify and hold harmless each of the Managers (for itself and on trust for each Relevant Person (as defined below)) and its Affiliates, and their respective directors, officers, agents and employees and each other person, if any, controlling such Manager (whether within the meaning of Section 15 of the Securities Act or Section 20 of the U.S. Securities Exchange Act of 1934, as amended, or otherwise) or any of its Affiliates (each a "**Relevant Person**") from and against any and all losses, claims, damages, liabilities or expenses which any Relevant Person may suffer or incur or, in each case, actions in respect thereof, related to or arising out of (i) any breach or alleged breach of any of the representations and warranties of the Company and the Seller contained in this Agreement, (ii) any failure or alleged failure of any of the Company and the Seller to perform its obligations under this Agreement or its subject matter or any failure or alleged failure of any of the Company and the Seller to perform its obligations under the CS Subscription Agreement or its subject matter or (iii) any Relevant Person's obligations and roles in connection herewith, including but not limiting to its respective roles and responsibilities under the Code of Conduct as the OC, the CMI or otherwise, or (iv) any breach or alleged breach by any of the Company and the Seller of any applicable laws, regulations and regulatory requirements (including, without limitation, the Listing Rules, the Takeovers Code, the Code of Conduct and the CSRC Rules); or (v) the Sale and Subscription or any transactions contemplated hereby or the CS Subscription or any transactions contemplated thereby failing or being alleged to fail to comply with the requirements

of applicable laws, regulations and regulatory requirements (including, without limitation, the Listing Rules, the Takeovers Code, the Code of Conduct and the CSRC Rules); (vi) the activities and services undertaken by any Relevant Person pursuant to this Agreement and/or applicable laws and regulations (including, without limitation, the Listing Rules, the Takeovers Code, the Code of Conduct and the CSRC Rules) (including, in each case, actions arising out of any of the Sale and the Subscription contemplated by this Agreement or the CS Subscription contemplated by the CS Subscription Agreement) but excluding, in the cases of (iii) and (v) only, any losses, claims, damages, liabilities or expenses finally judicially determined by a court of competent jurisdiction to have solely and directly resulted from (and then only to the extent of) such Relevant Person's gross negligence, wilful default or fraud), and the Company and the Seller shall reimburse any Relevant Person for all properly incurred expenses (including legal fees and any applicable taxes) as they are incurred by such Relevant Person in connection with investigating, preparing or defending any such action or claim, whether or not in connection with a pending or threatened litigation in which such Relevant Person is a party. If a Relevant Person is subject to tax in respect of any indemnity payable under this Clause 14, the sum payable shall be increased to such amount as will ensure that after payment of such tax such Relevant Person shall be left with a sum equal to the amount that it would have received in the absence of such charge to tax (after giving credit for any tax relief available in respect of the matter giving rise to the indemnity). The obligations of the Company and the Seller under this Clause 14 shall be in addition to any liability that the Company and the Seller may otherwise have.

- (b) Each of the Company and the Seller agrees that none of the Relevant Persons shall have any liability (save for the obligations imposed on each of the Managers under this Agreement and to the extent any liability resulted directly from any matter finally judicially determined to be caused solely and directly by the gross negligence, wilful default or fraud on the part of the Relevant Person) to the Company, the Seller or any other person, directly or indirectly, arising out of or in connection with any of the Sale, the Subscription and the CS Subscription or any transactions contemplated hereby.
- (c) The indemnities contained in Clause 14 shall remain in full force and effect notwithstanding completion of each of the Sale, the Subscription and the CS Subscription in accordance with the terms and conditions herein contained, shall be in addition to any liability which the Company or the Seller may have and shall extend to include all costs, charges and expenses which the Managers and/or any of the Relevant Persons may reasonably incur or pay in disputing, settling or compromising any matter to which the indemnity might relate and in establishing the right to indemnification pursuant to this Clause 14 in respect of any matter. None of the Company and the Seller shall, without the prior written consent of the Managers, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the Relevant Persons are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each Relevant Person from all liability arising out of such claim, action, suit or proceeding.

15. **SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon, and inure solely to the benefit of, the Managers, the Company and the Seller and, to the extent provided herein, any other Relevant Person and their respective heirs, executors, administrators, successors and assigns.

16. **SEVERAL LIABILITY**

Notwithstanding any other provision in this Agreement, the liability of each of the Managers for any obligation, representation, warranty, undertaking or any other matter under this Agreement, at law and in equity, is several and not joint nor joint and several.

17. **NO THIRD PARTY RIGHTS**

No person shall have any rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of this Agreement, make or pursue any claim, or enjoy any benefit under any provision contained in this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Ordinance, including, for the avoidance of doubt, any such right or remedy of any Relevant Person (as defined in Clause 14).

18. **LAW, JURISDICTION AND PROCESS AGENT**

- (a) This Agreement (and any dispute, controversy or claim of whatever nature arising out of or in any way relating to this Agreement or its formation) shall be governed by and construed in accordance with the laws of Hong Kong. It is agreed by each of the Company and the Seller for the benefit of the Managers that the courts of Hong Kong will have exclusive jurisdiction in relation to this Agreement and each of the Company and the Seller irrevocably submits to the jurisdiction of such courts provided that this submission shall not limit the right of the Managers to take proceedings in any other court of competent jurisdiction.
- (b) If a third party, not being a party to this Agreement, commences proceedings against any Relevant Person in any court of competent jurisdiction, arising out of or in connection with this Agreement or the transactions contemplated hereby (the "**Third Party Proceedings**"), nothing in this Clause 18 shall limit the rights of such Relevant Person to join any of the Company and the Seller as a party to such Third Party Proceedings or to otherwise bring proceedings against any of the Company and the Seller in connection with the Third Party Proceedings under this Agreement or otherwise in such courts in the jurisdiction in question, regardless of whether proceedings have been initiated or are ongoing in another jurisdiction. Each of the Company and the Seller irrevocably waives any objection to any such court as is referred to in the foregoing sentence on grounds of inconvenient forum or otherwise with respect to the relevant proceedings and irrevocably agrees that a judgment or order of any such court in connection with such proceedings shall be conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.
- (c) The Seller irrevocably appoints the Company of 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong to receive on its behalf service of any action, suit or other proceedings in connection with this Agreement. If any person appointed as process agent ceases to act for any reason, the Seller shall notify the Managers, shall promptly appoint another entity incorporated in Hong Kong to act as its process agent and shall notify the Managers as soon as reasonably practicable of the name and address of such replacement process agent. This will not affect the Managers' rights to serve process in any other manner.
- (d) To the extent that any of the Company and the Seller may in any proceedings in any jurisdiction arising out of or in connection with this Agreement or in any proceedings in any jurisdiction taken for the enforcement of any determination, decision, order or award made in such proceedings claim for itself or its assets, properties or revenues any immunity, sovereign or otherwise, from suit or other legal process including, without limitation, arbitration proceedings and all forms of execution, attachment or enforcement or to the extent that in any such proceedings there may

be attributed to itself or its assets, properties or revenues any such immunity (whether or not claimed), each of the Company and the Seller hereby irrevocably waives and agrees not to plead or claim any such immunity in relation to any such proceedings.

19. **MISCELLANEOUS**

- (a) Time shall be of the essence of this Agreement.
- (b) The heading to each Clause is included for convenience only and shall not affect the construction of this Agreement.
- (c) In the event any provision of this Agreement is found to be or becomes invalid or unenforceable, no other provision of this Agreement shall thereby be affected and this Agreement shall remain valid and enforceable in respect of all remaining provisions, and any invalid or unenforceable provision will be deemed to be replaced by a provision which as nearly as possible accomplishes the commercial purpose of the original.
- (d) This Agreement together with the JPM Written Engagement constitute the entire agreement among the parties and supersedes all prior agreements and understandings (whether written or oral) among the Company, the Seller and JPM with respect to the subject matter of this Agreement. In case of inconsistency between this Agreement and the JPM Written Engagement, this Agreement shall prevail. For the avoidance of doubt, the written engagement entered into by the Company and JPM on 16 January 2026 in relation to the engagement of JPM as the Company's financial adviser for the CS Subscription shall remain full force and effect.
- (e) This Agreement together with the CITIC CLSA Written Engagement constitute the entire agreement among the parties and supersedes all prior agreements and understandings (whether written or oral) among the Company, the Seller and CITIC CLSA with respect to the subject matter of this Agreement. In case of inconsistency between this Agreement and the CITIC CLSA Written Engagement, this Agreement shall prevail.
- (f) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.
- (g) No variation or waiver to this Agreement shall be effective unless it is in writing and signed by or on behalf of the Company, the Seller and the Managers.
- (h) The indemnities, agreements, undertakings, representations, warranties and other statements of the Company and the Seller, as set forth in this Agreement or made by or on their behalf, shall remain in full force and effect and shall survive delivery of and payment for the Sale Shares.
- (i) The terms of this Agreement do not constitute, and shall not be construed as, an agreement or commitment among the Company, the Seller and the Managers relative to underwriting or any of the Managers making any principal commitment to purchase the Sale Shares.
- (j) Where any warranties, representations, undertakings or other agreements in this Agreement are given by the Company and the Seller jointly, the obligations and liabilities of the Company and of the Seller in respect of such warranties, representations, undertakings and other agreements shall be joint and several.

- (k) Each of the Company and the Seller acknowledges and agrees that each of the Managers is acting solely pursuant to a contractual relationship with the Company and the Seller on an arm's length basis with respect to the Sale and the Subscription (including in connection with determining the terms thereof) and that in connection with the Sale and the Subscription and the process leading to such transactions, neither of the Managers has acted as or is a financial adviser or a fiduciary of the Company or the Seller or the stockholders, creditors, employees, Affiliates of any of the Company and the Seller or any other party. Neither of the Managers has assumed or will assume an advisory or fiduciary responsibility in favour of any of the Company and the Seller with respect to the Sale and the Subscription or the process leading to such transactions (irrespective of whether such Manager has advised or is currently advising any of the Company and the Seller on other matters) and neither of the Managers has any obligation to any of the Company and the Seller with respect to the Sale and the Subscription except the obligations expressly set out in this Agreement. Each of the Company and the Seller further acknowledges and agrees that each of the Managers and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of any of the Company and the Seller and that neither of the Managers has provided any legal, accounting, regulatory or tax advice with respect to any of the Sale and the Subscription. Each of the Company and the Seller confirms that it has consulted its own legal, accounting, regulatory and tax advisers to the extent it deemed appropriate. Each of the Company and the Seller waives to the fullest extent permitted by applicable law any claims it may have against the Managers and their respective Affiliates arising from any alleged breach of fiduciary duty in connection with the Sale and the Subscription.

20. **RECOGNITION OF THE U.S. SPECIAL RESOLUTION REGIMES**

- (a) In the event that any Manager that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Manager of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.
- (b) In the event that any Manager that is a Covered Entity or a BHC Act Affiliate of such Manager becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Manager are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

In this Clause 20:

"BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

"Covered Entity" means any of the following:

- (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"U.S. Special Resolution Regime" means each of (i) the U.S. Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

IN WITNESS WHEREOF this Agreement has been duly executed as of the day and year first before written.

For and on behalf of

CHINA YOURAN DAIRY GROUP LIMITED

By: 董计平

Name: Dong Jiping(董计平)

Title: Director

For and on behalf of

BOYUAN INVESTMENT HOLDING LIMITED

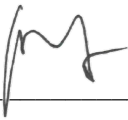
By: 张宇俊

Name: Zhang Yujun

Title: Director

For and on behalf of

J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

By:  _____

Name: Peihao Huang

Title: Managing Director

For and on behalf of

CLSA LIMITED

By: _____

Name: Ho Ming Cheung

Title: Executive Director

SCHEDULE 1

Representations, Warranties and Undertakings of the Company and the Seller

- (a) Each of the Company and the Seller has taken all necessary corporate and other actions to authorise the execution, delivery and performance of this Agreement. Without limitation to the generality of the aforesaid, the Company has obtained the requisite shareholders' approval by way of a general mandate for the issue and allotment of the Subscription Shares. This Agreement has been duly executed and delivered by the duly authorised representatives of each of the Company and the Seller, and constitutes a legal, valid, binding agreement, enforceable against the Company and the Seller in accordance with its terms. Each of the Company and the Seller has taken all necessary corporate and other actions to authorise the execution, delivery and performance of the CS Agreement, except for the requisite shareholders' approval for the issue and allotment of the CS Subscription Shares. The CS Subscription Agreement has been duly executed and delivered by the duly authorised representatives of each of the Company and the Seller, and constitutes a legal, valid, binding agreement, enforceable against the Company and the Seller in accordance with its terms.
- (b) The Seller and each member of the Group has been duly incorporated and is validly existing under the laws of its place of incorporation and each member of the Group has power to own its assets and to conduct its business in the manner presently conducted.
- (c) The execution, delivery and performance of this Agreement or the CS Subscription Agreement by each of the Company and the Seller does not contravene:
 - (i) its constitutional documents;
 - (ii) any material agreement, contract or undertaking to which it (or any of its Affiliates) is a party, or by which it (or any of its Affiliates) or any of its (or its Affiliates') assets is bound; or
 - (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over it (including but not limited to the Listing Rules, the Takeovers Code and the CSRC Rules) or the Sale Shares.

Without limitation to the generality of the aforesaid, none of the Company, other members of the Group and the Seller is subject to any undertakings or obligations (whether regulatory, contractual or otherwise and whether given or undertaken during the course of, or in connection with, the application for listing of the Shares on Hong Kong Stock Exchange or otherwise) which prohibits or restricts any of the Company and the Seller from entering into this Agreement or the CS Subscription Agreement, or otherwise prohibits or restricts any of the transactions contemplated hereunder.

- (d) All regulatory, judicial or other consents, approvals, authorisations, orders and qualifications required to be obtained for the execution, delivery and performance of this Agreement and the CS Subscription Agreement by the Company and the Seller have been obtained and are in full force and effect, except for (i) the Listing Approval that will be obtained by the Company and the Top-up Waiver that will be obtained by the Seller before completion of the Subscription, and (ii) the approval from Hong Kong Stock Exchange for the listing of the CS Subscription Shares that will be obtained by the Company and the whitewash waiver (the "**Whitewash Waiver**") from the SFC pursuant to Note 1 to Rule 26 of the Takeovers Code that will be obtained by the Seller before completion of the CS Subscription.
- (e) The Seller has good and valid title to, and the necessary right and power to sell and transfer the Sale Shares, free and clear of all pledges, liens and encumbrances, equities, security interests or other claims (including any non-disposal undertakings or similar obligations) binding upon the Seller; and upon the delivery of the Sale Shares in respect of which a

Manager procure purchasers to such Manager (or purchasers procured by such Manager), good and valid title to the Sale Shares, free and clear of all pledges, liens and encumbrances, equities, security interests or other claims, will pass to such Manager (or purchasers procured by such Manager). The Sale Shares are validly allotted and issued (and have been allotted and issued more than six months before the date of this Agreement), are fully paid and non-assessable and when delivered to such Manager (or purchasers procured by such Manager or its Affiliates) in accordance with this Agreement will have the same rights as, and rank *pari passu* with, all of the other Shares of the Company of the same class.

- (f) Other than Hong Kong stamp duty, no stamp duty, withholding tax, transfer tax, registration, VAT or any other similar taxes or duties are payable in any Applicable Jurisdictions (defined below) by or on behalf of the Managers or any purchasers of the Sale Shares procured by the Managers in connection with (i) the Sale to the Managers or such purchasers of the Sale Shares, in the manner contemplated in this Agreement or (ii) the execution and delivery of this Agreement. For the purposes of this paragraph (f), "**Applicable Jurisdictions**" shall mean Hong Kong, PRC and the Cayman Islands.
- (g) The Sale Shares are of the same class as, and are fungible with, the Company's shares that are publicly traded on the Hong Kong Stock Exchange. The purchase of the Sale Shares affords the purchasers no rights beyond standard minority shareholder protection with respect to the Company.
- (h) Since 31 December 2024, there has not occurred any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Group taken as a whole.
- (i) The Company has made public all information required to be made public by all applicable laws, rules and regulations including the Listing Rules and the SFO, (ii) the information released publicly in Hong Kong, the Cayman Islands or elsewhere by any member of the Group, including without limitation the 2024 annual report and 2025 interim report of the Company filed with the Hong Kong Stock Exchange, in each case as amended or supplemented (together, the "**Company Disclosure**"), does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and does not otherwise omit any material information which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group, (iii) except for the Post-signing Announcement, other announcements to be published by the Company with respect to the transactions contemplated hereunder or under the CS Subscription Agreement and monthly return, no announcement or disclosure is anticipated to be made by the Company within 30 days after the date of this Agreement, (iv) the financial statements included in the 2024 annual report of the Company (A) present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and the results of operations for the periods shown, (B) have been prepared on a recognised and consistent basis and in conformity with generally accepted accounting principles, standards and practice in Hong Kong and other relevant jurisdiction applied on a consistent basis, (C) comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and all other applicable ordinances, statutes and regulations and show a true and fair view of the state of affairs of the Group and of its results for the period in question, and (v) no member of the Group is in breach of any laws, rules and regulations or requirements of the Hong Kong Stock Exchange or the SFC (including the Listing Rules, the Takeovers Code, the SFO and the CSRC Rules).
- (j) All information (whether oral, written, electronic or in any other form) supplied by or on behalf of the Seller, the Company, any other member of the Group or any of their respective officers, directors, employees or advisers, for the purpose of or in connection with the Sale, the Subscription or the CS Subscription, is and was, when supplied, true and accurate in all material respects and not misleading.

- (k) There is no claim, litigation, arbitration, prosecution or other legal proceedings or investigation or enquiry in progress or pending or threatened against the Seller or any member of the Group, or any of their respective directors and officers nor is there any claim or any facts or circumstances of a material nature which would give rise to a claim against the Seller, any member of the Group or any of their respective directors and officers, which in any such case would have or have had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects (whether or not arising in the ordinary course of business) of the Seller or any member of the Group or which is material for disclosure in the context of any of the Sale and the Subscription.
- (l) Each member of the Group has obtained all authorisations and licences under any applicable law and regulation that are material in connection with the operation of its business and there is no reason why any such authorisation or licence should be withdrawn or cancelled nor is there any breach by any member of the Group of the provisions of any law or regulation governing such authorisations or licences or otherwise (save for any breach that would not have any material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole).
- (m) There is no order, decree or judgement of any court or governmental agency or regulatory body outstanding or, to the best knowledge of the Company and the Seller, anticipated against any member of the Group which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole.
- (n) There has been no petition filed, order made or effective resolution passed for the liquidation or winding up of (i) the Seller, (ii) the Company, or (iii) any other member of the Group.
- (o) No material outstanding indebtedness of the Seller or any member of the Group has become payable or repayable by reason of any default of the Seller or any member of the Group and no event has occurred or is impending which may result in such indebtedness becoming payable or repayable prior to its maturity date, in a demand being made for such indebtedness to be paid or repaid or in any step being taken to enforce any security for any such indebtedness of the Seller or any member of the Group.
- (p) No member of the Group is a party to or under any obligation which is material and which is of an unusual or unduly onerous nature; no member of the Group is in breach of or in default of its constitutional documents or any contract or agreement which may have or has had a material adverse effect upon the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects (whether or not arising in the ordinary course of business) of any member of the Group or which is material for disclosure in the context of any of the Sale and the Subscription; neither this Agreement nor the transactions contemplated herein will constitute or give rise to a breach of or default under the constitutional documents or any agreement or other arrangement to which any member of the Group is a party or will give rise to any rights of any third party in respect of any assets of the Group.
- (q) There are no material outstanding guarantees or contingent payment obligations of any member of the Group in respect of indebtedness of third parties except as disclosed in the financial statements referred to in (i) which are material in the context of the Sale or the Subscription; and each member of the Group is in compliance with all of its obligations under any material outstanding guarantees or contingent payment obligations as described in such financial statements.
- (r) The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licences, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual

property (collectively, "**Intellectual Property**") necessary to carry on the business now operated by them in all material respects, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole.

- (s) (i) There has been no material security breach or incident, unauthorised access or disclosure, or other compromise of or relating to the Company or its subsidiaries information technology and computer systems, networks, hardware, software, data and databases (including the data and information of their respective customers, employees, suppliers, vendors and any third party data maintained, processed or stored by the Company and its subsidiaries, and any such data processed or stored by third parties on behalf of the Company and its subsidiaries or any such data that may constitute trade secrets and working secrets of any governmental authority or any other data that would otherwise be detrimental to national security or public interest pursuant to the applicable laws, rules and regulations), equipment or technology (collectively, "**IT Systems and Data**"); (ii) neither the Company nor its subsidiaries have been notified of, and each of them has no knowledge of any event or condition that could result in, any security breach or incident, leakage, unauthorised access or disclosure or other compromise to their IT Systems and Data which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (iii) the Company and its subsidiaries have implemented appropriate controls, policies, procedures, and technological safeguards to maintain and protect the integrity, continuous operation, redundancy and security of their IT Systems and Data reasonably consistent with industry standards and practices, or as required by applicable regulatory standards, in all material respects. The Company and its subsidiaries are presently in material compliance with all applicable laws, statutes, rules or regulations (including, without limitation, the CSRC Rules) and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Data and to the protection of such IT Systems and Data from leakage, unauthorised use, access, misappropriation or modification.
- (t) (A) Each of the Company and other members of the Group has complied with all applicable Laws concerning cybersecurity, data protection, confidentiality and archive administration (collectively, the "**Data Protection Laws**") in all material respects; (B) neither the Company nor any other member of the Group is, or is expected to be classified as, a "critical information infrastructure operator" under the Cybersecurity Law of the PRC; (C) neither the Company nor any other member of the Group is subject to any investigation, inquiry or sanction relating to cybersecurity, data privacy, confidentiality or archive administration, or any cybersecurity review by the Cyberspace Administration of the PRC (the "**CAC**"), the CSRC, or any other relevant governmental authority which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (D) neither the Company nor any other member of the Group has received any notice (including, without limitation, any enforcement notice, de-registration notice or transfer prohibition notice), letter, complaint or allegation from the relevant cybersecurity, data privacy, confidentiality or archive administration governmental authority alleging any material breach or non-compliance by it of the applicable Data Protection Laws or prohibiting the transfer of data to a place outside the relevant jurisdiction; (E) neither the Company nor any other member of the Group has received any claim for compensation from any person in respect of its business under the applicable Data Protection Laws and industry standards in respect of inaccuracy, loss, unauthorised destruction or unauthorised disclosure of data and there is no outstanding order against the Company or any other member of the Group in respect of the rectification

or erasure of data which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (F) no warrant has been issued authorising the cybersecurity, data privacy, confidentiality or archive administration governmental authority (or any of its officers, employees or agents) to enter any of the premises of the Company or any members of the Group for the purposes of, inter alia, searching them or seizing any documents or other materials found there, which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (G) neither the Company nor any other member of the Group has received any communication, enquiry, notice, warning or sanctions with respect to the Cybersecurity Law of the PRC or from the CAC or pursuant to the Data Protection Laws (including, without limitation, the CSRC Archive Rules) which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (H) the Company is not aware of any pending or threatened investigation, inquiry or sanction relating to cybersecurity, data privacy, confidentiality or archive administration, or any cybersecurity review, by the CAC, the CSRC, or any other relevant governmental authority on the Company or any other member of the Group or any of their respective directors, officers and employees, which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; (I) the Company is not aware of any pending or threatened actions, suits, claims, demands, investigations, judgments, awards and proceedings on the Company or any other member of the Group or any of their respective directors, officers and employees pursuant to the Data Protection Laws (including, without limitation, the CSRC Archive Rules) which may have or has had a material adverse effect on the condition, financial or otherwise, or in the earnings, net assets, business, operations or prospects of the Company or the Group taken as a whole; and (J) neither the Company nor any other member of the Group has received any objection to the Sale, Subscription, the CS Subscription or the transactions contemplated under this Agreement from the CSRC, the CAC or any other relevant governmental authority.

- (u) The Company and its subsidiaries have good and marketable title to all material real property owned by them and good title to all other material properties owned by them, in each case, free and clear of all mortgages, pledges, liens, charges and encumbrances, equities, security interests or other claims except such as (i) are disclosed by the Company on the website of the Hong Kong Stock Exchange or (ii) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Group taken as a whole are in full force and effect, and neither the Company nor any such subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above.
- (v) None of the Company or any of its subsidiaries is a "covered foreign person".
- (w) (A) None of the Company or any of its subsidiaries currently engages, or has plans to engage, directly or indirectly, in any "covered activity" (each a "**Covered Activity**"); (B) the Company does not have any joint ventures that engages in or plans to engage in any Covered Activity; and (C) the Company does not, directly or indirectly, hold a board seat on, have a voting or equity interest in, or have any contractual power to direct or cause the direction of the management or policies of any person or persons that engages or plans to engage in any Covered Activity.
- (x) The Company is not (A) included on the Bureau of Industry and Security's ("**BIS**") Entity List or Military End User List; (B) a "Military Intelligence End-User" as defined by BIS; (C) included on the U.S. Department of the Treasury's list of Specially Designated Nationals and Blocked Persons List ("**SDN List**"), or is 50% or majority owned by individuals or entities on the SDN List; (D) included on the U.S. Department of the Treasury's list of Non-SDN Chinese

Military-Industrial Complex Companies (NS-CMIC List); and (E) designated as a foreign terrorist organisation by the Secretary of State under 8 U.S.C. § 1189.

- (y) None of (i) the Seller, any of its subsidiaries, any of their respective directors, officers, employees, agents and Affiliates and any other persons associated with or acting for or on behalf of any of them, (ii) the Company, any of its subsidiaries, any of their respective directors, officers, employees, agents, Affiliates and any other persons associated with or acting for or on behalf of any of them, has (i) used any funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made or taken an act in furtherance of an offer, promise or authorisation of any direct or indirect unlawful payment or benefit to any foreign or domestic government or regulatory official or employee, including of any government-owned or controlled entity or of a public international organisation, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office; (iii) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit; or (iv) violated or is in violation of, or engaged in any activity or conduct that would constitute an offence under, any Anti-Corruption Law (as defined below). Each of the Seller, the Company and their respective subsidiaries and Affiliates has instituted, and maintain and enforce, policies and procedures designed to promote and ensure compliance with all Anti-Corruption Law. "**Anti-Corruption Law**" means (A) the OECD Convention of Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, (B) the Foreign Corrupt Practice Act of 1977 of the United States of America, as amended, and the rules and regulations thereunder, (C) the Bribery Act 2010 of the United Kingdom, and (D) any similar applicable or other anti-bribery or anti-corruption laws or regulations in any jurisdiction.
- (z) The operations of each of the Seller and its subsidiaries and Affiliates and the operations of each of the Company and its subsidiaries and Affiliates are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements, including those of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), and any other applicable anti-money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any governmental or regulatory agency (collectively, the "**Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving the Seller or any of its subsidiaries and Affiliates or the Company or any of its subsidiaries and Affiliates with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company and the Seller, threatened.
- (aa) None of (i) the Seller, any of its subsidiaries, any of their respective directors, officers, employees, agents and Affiliates and any other persons associated with or acting for or on behalf of any of them, and (ii) the Company, any of its subsidiaries, any of their respective directors, officers, employees, agents and Affiliates and any other persons associated with or acting for or on behalf of any of them is or is owned or controlled by a person (including, for the avoidance of doubt, an individual or an entity) ("**Person**") which is (A) the subject or the target of any sanctions administered or enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), the United Nations Security Council ("**UNSC**"), the European Union, His Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"); or (B) operating, located, organised or resident in a country, region or territory that is the subject or the target of Sanctions, including, without limitation, the Crimea Region of Ukraine, the so-called Donetsk People's Republic, the so-called Luhansk People's Republic, Cuba, Iran, North Korea, Sudan and Syria (each, a "**Sanctioned Country**"). For the past 5 years, none of the Seller, its subsidiaries

and any member of the Group, nor any of their respective directors, officers, employees, agents, Affiliates nor other persons associated with or acting on behalf of the Seller, its subsidiaries or any member of the Group (except for the Managers, as to which no representation is made) has knowingly engaged in or is now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

- (bb) None of the Seller, its subsidiaries, its Affiliates and any member of the Group will, directly or indirectly, use the proceeds from the sale of the Sale Shares or the issue of the Subscription Shares, or lend, contribute or otherwise make available such proceeds to any subsidiaries, joint venture partner or other Person (i) to fund or facilitate any activities of or business with any Person or in any country or territory, that, at the time of such funding or facilitation, is, or whose government is, the subject or target of Sanctions; (ii) to fund or facilitate any activities of or business in any Sanctioned Country; or (iii) in any other manner that will result in a violation by any Person (including any Person participating in the Sale or the Subscription, whether as underwriter, placing agent, advisor, investor or otherwise) of Sanctions
- (cc) None of the Sale, the Subscription and the CS Subscription will constitute a violation by any of the Company, the Seller and their respective subsidiaries and Affiliates (including, without limitation, their respective direct and indirect owners) or any of their respective directors, officers and employees, or other person acting for or on behalf of any of them (together, the "**Company and Seller Parties**") of any applicable "insider dealing", "insider trading" or similar legislation, including the provisions under Part XIII of the SFO; none of the Company and Seller Parties is aware of any non-public fact or circumstance (including but not limited to the operational or financial performance of the Group for the year ended 31 December 2025 and/or thereafter) that could reasonably be deemed to be material or, if made public, would or might reasonably be expected to have a significant effect upon the market price or trading volume, or both, of the Shares or other securities of the Company.
- (dd) The Company is a "foreign issuer" (as defined in Regulation S under the Securities Act ("**Regulation S**")).
- (ee) The Company reasonably believes that there is no "substantial U.S. market interest" (as defined in Regulation S) in the Sale Shares or securities of the Company of the same class as the Sale Shares.
- (ff) None of the Seller, the Company, any of their respective Affiliates or any person acting on its or their behalf (except for the Managers, as to which no representation is made), directly or indirectly, has made or will make any offers or sales of any security, or has solicited or will solicit offers to buy, or otherwise has negotiated or will negotiate in respect of, any security, under circumstances that would require the registration of the Sale Shares under the Securities Act.
- (gg) None of the Seller, the Company, any of their Affiliates or any person acting on its or their behalf (except for the Managers, as to which no representation is made) has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) or any form of "general solicitation or general advertising" (within the meaning of Regulation D), with respect to the Sale Shares.
- (hh) None of the Company, the Seller, any of their Affiliates or any person acting on its or their behalf (except for the Managers, as to which no representation is made) has taken or will take, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to cause or result in, the stabilisation or manipulation of the price of any securities of the Company, or which otherwise constitutes or might reasonably be expected to constitute "market misconduct" under Part XIII of the SFO or similar laws and regulations, or which otherwise constitutes or might reasonably be expected to constitute non-compliance with the rules, regulations and requirements of the

Hong Kong Stock Exchange, the SFC, the CSRC and any other authority including those in relation to bookbuilding and placing activities; and by entering into this Agreement, none of the Company and the Seller is seeking or intending to create, or expecting there to be created, or will otherwise create, a false, disorderly or misleading market in, or the price or trading volume of, the Shares or any other securities of the Company.

- (ii) None of the Seller, the Company, any of their respective Affiliates or any person acting on its or their behalf has, directly or indirectly, provided or offered (nor will, directly or indirectly, provide or offer) any rebates or preferential treatment to any person in connection with the Sale or Subscription or the consummation of the transactions contemplated hereby or in connection with the CS Subscription or the consummation of the transactions contemplated thereby.
- (jj) None of the Company, the Seller, any of their Affiliates or any person acting on its or their behalf (except for the Managers, as to which no representation is made) has distributed and, prior to the later to occur of (i) the Closing Date and (ii) completion of the distribution of the Sale Shares, none of the Company, the Seller, any of their Affiliates or any person acting on its or their behalf (except for the Managers, as to which no representation is made) shall distribute, any offering or sales materials in connection with the offering and sale of the Sale Shares.
- (kk) The Sale Shares satisfy the eligibility requirements of Rule 144A(d)(3) under the Securities Act.
- (ll) For so long as any Sale Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.
- (mm) For so long as the Sale Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will not become an "open-end company", "unit investment trust" or "face-amount certificate company", as such terms are defined in, and that is or is required to be registered under Section 8 of, the Investment Company Act.
- (nn) For so long as the Sale Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company agrees not to, and will cause its "affiliates" (as defined in Rule 144 under the Securities Act) not to, resell any Sale Shares acquired by it or them in the United States.
- (oo) The Company is exempt from the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, pursuant to the exception afforded by Rule 12g3-2(b) thereunder.
- (pp) To the best of the Company's and the Seller's knowledge, the Company is not required to be registered as an "investment company" under, and as such term is defined in, the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.
- (qq) To the best of the Company's and the Seller's knowledge, the Company is not a "covered fund" for purposes of the "Volcker Rule" under section 619 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
- (rr) To the best of the Company's and the Seller's knowledge, the Company is not and does not expect to become a "passive foreign investment company" as defined in Section 1297 of the

U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

- (ss) Each of the Company and the Seller is a professional investor within a category of person described in section 3(a), (c) and (d) of the Securities and Futures (Professional Investor) Rules under the SFO and has been notified by the Managers that it has been assessed as satisfying the criteria in paragraph 15.3A(b) of the Code of Conduct (an "**Eligible Corporate Professional Investor**"), and has read and understood the Professional Investor Treatment Notice (in the form set out in Schedule 3 to this Agreement) and acknowledges and agrees to the representations, waivers and consents contained in the Professional Investor Treatment Notice, in which the expressions "you" or "your" shall mean the Company or the Seller (as appropriate), and "us" or "our" shall mean the Managers.
- (tt) None of the Seller and the Company is aware of any circumstances that would result in the failure of the Seller to duly obtain the Top-up Waiver and the Whitewash Waiver from the SFC, or would result in any of the Sale, the Subscription and the CS Subscription triggering an "offer" or commencement of any "offer period" for the purpose of the Takeovers Code.
- (uu) All statements of fact contained in the Post-Signing Announcement, any announcements published or to be published by the Company, and any submissions made or to be made by or on behalf of the Company or the Seller (or any of their respective affiliates) to the regulators including the SFC and the Hong Kong Stock Exchange in relation to the transactions contemplated under this Agreement or otherwise in relation to the Sale, the Subscription or the CS Subscription are true and accurate in all material respects and not misleading, and all statements of opinion, intention, expectation or estimates of the directors of the Company in relation to the Company and/or any other member(s) of the Group contained therein (if any) are truly and honestly held and have been made on reasonable grounds after due and careful consideration, and there is no other fact or matter omitted therefrom the omission of which would make any statement therein untrue or inaccurate in any material respect or misleading, or which is otherwise material in the context of any of the Sale, the Subscription and the CS Subscription.
- (vv) Other than the CS Subscription, no unissued share capital of any member of the Group is under any option or agreed conditionally or unconditionally to be put under any option and no person has an outstanding warrant, pre-emptive right or any other right of any description to require shares to be allotted or issued by any member of the Group.
- (ww) (i) None of the Company and the Seller has sought any Placees for the Sale or sought to influence or control who might be a Placee, and that, as far as they are aware and having reviewed the proposed allocations of Shares, none of the Placees and their respective beneficial owners is or will be (A) a substantial shareholder (within the meaning of the Listing Rules) of the Company, (B) otherwise a core connected persons or a connected person (each within the meaning of the Listing Rules) of the Company, (C) acting in concert (within the meaning of the Takeovers Code) with the Seller, any of the parties acting in concert with the Seller, or any of the Company's core connected persons or connected persons, or (D) a close associate or an associate (each within the meaning of the Listing Rules) of the Seller, and the Placees and their respective beneficial owners are independent of, and not connected with the Company, the Seller or any of the above persons; (ii) None of the Seller and the Company or any of its core connected persons or connected persons has funded or backed (directly or indirectly) the purchase of the Sale Shares by any Placee nor have the Seller, the Company or any of its core connected persons or connected persons instructed any Placee in relation to the acquisition, disposal, voting or other disposition of securities of the Company; (iii) None of the Company, the Seller and any of their respective directors, officers and employees is or has been participating in introducing, screening, selecting or identifying placees for the Sale; and (iv) Each of the Company and the Seller shall promptly provide, and procure the provision of, all information to the Managers necessary to enable it to confirm the independence of the Placees. Without limitation to the generality of the aforesaid, the Company and the Seller shall promptly inform the Managers in writing if any of them is

aware of any intention of any of the persons falling within any of (i)(A) to (D) to purchase, directly or indirectly, any of the Sale Shares in the Sale.

SCHEDULE 2

Representations, Warranties and Undertakings of the Managers

- (a) It has not offered or sold, and will not offer or sell, any Sale Shares as part of their distribution at any time except:
 - (i) to those persons it reasonably believes to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) within the United States; or
 - (ii) outside the United States in accordance with Rule 903 of Regulation S.
- (b) Neither it nor any person acting on its behalf has made or will make offers or sales of the Sale Shares in the United States by means of any form of "general solicitation or general advertising" (within the meaning of Regulation D) in the United States.
- (c) Neither it, nor any of its Affiliates nor any person acting on its or their behalf has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Sale Shares.

SCHEDULE 3

Professional Investor Treatment Notice

1. You are a Professional Investor by virtue of being either an Institutional Professional Investor or having been assessed by us as an Eligible Corporate Professional Investor.
2. An "Institutional Professional Investor" is a person described in paragraphs (a) to (i) of the definition of "professional Investors" set out in section 1 of Part 1 of Schedule 1 to the SFO, as follows:
 - (a) any recognized exchange company, recognized clearing house, recognized exchange controller or recognized investor compensation company, or any person authorized to provide automated trading services under section 95(2) of the SFO;
 - (b) any intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
 - (c) any authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
 - (d) any insurer authorized under the Insurance Companies Ordinance (Cap 41), or any other person carrying on insurance business and regulated under the law of any place outside Hong Kong;
 - (e) any scheme which-
 - (i) is a collective investment scheme authorized under section 104 of this Ordinance; or
 - (ii) is similarly constituted under the law of any place outside Hong Kong and, if it is regulated under the law of such place, is permitted to be operated under the law of such place,or any person by whom any such scheme is operated;
 - (f) any registered scheme as defined in section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap 485), or its constituent fund as defined in section 2 of the Mandatory Provident Fund Schemes (General) Regulation (Cap 485 sub. leg. A), or any person who, in relation to any such registered scheme, is an approved trustee or service provider as defined in section 2(1) of that Ordinance or who is an investment manager of any such registered scheme or constituent fund;
 - (g) any scheme which-
 - (i) is a registered scheme as defined in section 2(1) of the Occupational Retirement Schemes Ordinance (Cap 426); or
 - (ii) is an offshore scheme as defined in section 2(1) of that Ordinance and, if it is regulated under the law of the place in which it is domiciled, is permitted to be operated under the law of such place,or any person who, in relation to any such scheme, is an administrator as defined in section 2(1) of that Ordinance;
 - (h) any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency; and
 - (i) except for the purposes of Schedule 5 to the SFO, any corporation which is-

- (i) a wholly owned subsidiary of-
 - (A) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
 - (B) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
 - (ii) a holding company which holds all the issued share capital of-
 - (A) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
 - (B) an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong; or
 - (iii) any other wholly owned subsidiary of a holding company referred to in subparagraph (ii).
3. An "Eligible Corporate Professional Investor" is a trust corporation, corporation or partnership which is assessed by us as satisfying the criteria in paragraph 15.3A(b) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission and which falls under section 3(a), (c) and (d) of the Securities and Futures (Professional Investor) Rules, as follows:
- (a) a trust corporation having been entrusted with total assets of not less than HK\$40 million (or equivalent) as stated in its latest audited financial statements prepared within the last 16 months, or in the latest audited financial statements prepared within the last 16 months of the relevant trust or trusts of which it is trustee, or in custodian statements issued to the trust corporation in respect of the trust(s) within the last 12 months;
 - (b) a high net worth corporation or partnership having total assets of at least HK\$40 million (or equivalent) or a portfolio of at least HK\$8 million (or equivalent) in securities and/or currency deposits, as stated in its latest audited financial statements prepared within the last 16 months or in custodian statements issued to the corporation or partnership within the last 12 months; and
 - (c) a corporation the sole business of which is to hold investments and which is wholly owned by any one or more of the following persons (i) a trust corporation that falls within paragraph (a) above; (ii) a high net worth individual having, alone or with associates on a joint account, a portfolio of at least HK\$8 million (or equivalent) in securities and/or currency deposits, as stated in a certificate from an auditor or professional accountant or in custodian statements issued to the individual within the last 12 months; and (iii) a corporation or partnership that falls within paragraph (b) above.

We have categorised you as a Professional Investor based on information you have given us. You will inform us promptly in the event any such information ceases to be true and accurate.

4. As a consequence of your categorisation as a Professional Investor, certain requirements may not be applicable (or may be waived or may be agreed otherwise) under the Code and other Hong Kong regulations. While we may in fact do some or all of the following in providing services to you, we have no regulatory responsibility to do so:

4.1 Client agreement

We are not required to enter into a written agreement complying with the Code relating to the services that are to be provided to you.

4.2 Risk disclosures

We are not required to provide you with written risk warnings in respect of the risks involved in any transactions entered into with you, or to bring those risks to your attention.

4.3 Information about us

We are not required to provide you with information about our business or the identity and status of employees and others acting on our behalf with whom you will have contact.

4.4 Prompt confirmation

We are not required to promptly confirm with you the essential features of a transaction after effecting a transaction for you.

4.5 Information about clients

We are not required to establish your financial situation, investment experience or investment objectives, except where we are providing advice on corporate finance work.

4.6 Nasdaq-Amex Pilot Program

If you wish to deal through the Hong Kong Stock Exchange in securities admitted to trading on the Hong Kong Stock Exchange under the Nasdaq-Amex Pilot Program, we shall not provide you with documentation on that program.

4.7 Suitability

We are not required to ensure that a recommendation or solicitation is suitable for you in the light of your financial situation, investment experience and investment objectives.

4.8 Investor characterisation/disclosure of sales related information

We shall not be subject to the requirements of paragraph 5.1A of the Code relating to know your client investor characterisation and paragraph 8.3A of the Code relating to disclosure of sales related information.

5. You have the right to withdraw from being treated as a Professional Investor at any time in respect of all or any investment products or markets on giving written notice to us.

6. By entering into this Agreement, you represent and warrant to us that you are knowledgeable and have sufficient expertise in the products and markets that you are dealing in and are aware of the risks in trading in the products and markets that you are dealing in.

7. By entering into this Agreement, you hereby agree and acknowledge that you have read and understood and have been explained the consequences of consenting to being treated as a Professional Investor and the right to withdraw from being treated as such as set out herein and that you hereby consent to being treated as a Professional Investor.

8. By entering into this Agreement, you hereby agree and acknowledge that we and the Settlement Agent will not provide you with any contract notes, statements of account or receipts under the Hong Kong Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules where such would otherwise be required.

SHARE SUBSCRIPTION AGREEMENT

THIS AGREEMENT is dated 16 January 2026

BETWEEN:

- (1) **China Youran Dairy Group Limited**, a company incorporated in the Cayman Islands and having its registered office at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands and its principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (the “**Company**”); and
- (2) **Boyuan Investment Holding Limited**, a company registered in the Cayman Islands and having its registered address at P.O. Box 472, Harbour Place, 2nd Floor, North Wing, 103 South Church Street, George Town, Grand Cayman, Cayman Islands KY1-1106 (the “**Subscriber**”).

WHEREAS:

- (A) The Company, a company listed on the Stock Exchange (HK:9858), has agreed to issue and the Subscriber has agreed to subscribe for an aggregate of 299,250,000 new shares (the “**Subscription Shares**” and each a “**Subscription Share**”) of US\$0.00001 each in the capital of the Company subject to and upon the terms and conditions of this Agreement.

1. INTERPRETATION

In this Agreement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“ affiliate ”	in relation to any person, includes (i) any subsidiary (as defined in the Listing Rules) of that person, (ii) any other person in respect of which it is a subsidiary (the “ holding company ”), and (iii) any other subsidiary of such holding company
“ Announcement ”	the announcement to be published by the Company in relation to the transactions contemplated hereunder
“ Business Day ”	a day (excluding a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“ Completion ”	completion of the subscription of the Subscription Shares in accordance with the provisions of Clause 5
“ Group ”	the Company and its subsidiaries
“ 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this Agreement, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“SFC”	Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of US\$0.00001 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares subject to and upon the terms and conditions of this Agreement
“Subscription Price”	a price of HK\$3.92 per Subscription Share
“Subscription Shares”	has the meaning ascribed to it in the Recital
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	the whitewash waiver from the SFC pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Subscriber to make a mandatory general offer for all the issued Shares of the Company which might otherwise arise as a result of the transactions contemplated hereunder
“Yili”	Inner Mongolia Yili Industrial Group Co., Ltd. (内蒙古伊利实业集团股份有限公司)

1.2 References in this Agreement to the singular shall, where the context so requires, be deemed to include references to the plural and vice versa and references to one gender shall include all genders. The clause headings in this Agreement are inserted for convenience only and shall not affect the construction of this Agreement.

1.3 References herein to Recital and Clauses and Appendices are, unless the context otherwise requires, to recital to and clauses in and appendices to this Agreement.

2. CONDITIONAL AGREEMENT

2.1 Completion is conditional upon:

- (a) the shareholders of the Company having approved at an extraordinary general meeting of the Company of (i) this Agreement and the transactions contemplated under this Agreement in accordance with the requirement under the Listing Rules and the Takeovers Code; and (ii) the Whitewash Waiver;
- (b) the granting of the Whitewash Waiver by the SFC and such waiver not having been subsequently revoked or withdrawn;
- (c) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked;
- (d) the warranties given by the Company under this Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);
- (e) the warranties given by the Subscriber under this Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);
- (f) the Subscriber and Yili having obtained all necessary internal approvals in relation to this Agreement and the transactions contemplated hereunder, including but not limited to the approval of their respective board of directors; and
- (g) if the amount to be used by the Subscriber for the Subscription will be sourced or guaranteed by any fund from the PRC, the Subscriber and Yili having obtained or completed all necessary approvals and filings with applicable governmental authorities in the PRC in relation to this Agreement and the transactions contemplated hereunder.

2.2 The Company shall apply to the Stock Exchange as soon as practicable after the signing of this Agreement for the purpose of the listing and permission referred to in Clause 2.1 and shall exercise all reasonable endeavours to procure the satisfaction of the conditions specified in Clause 2.1 by the time specified in Clause 2.3.

2.3 In the event the conditions referred to in Clause 2.1 not being fulfilled by 5:00 p.m. on 30 June 2026 (or such other time and date as may be agreed by the Company and the Subscriber in writing), all rights, obligations and liabilities of the parties hereunder shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches of the terms hereof.

3. **AGREEMENT TO SUBSCRIBE**

Subject to Clause 2, the Subscriber shall or shall procure its nominee(s) to subscribe for the Subscription Shares and the Company shall allot and issue the Subscription Shares subject to its memorandum and articles of association.

4. SUBSCRIPTION SHARES

4.1 The consideration for the Subscription Shares shall be payable on application and satisfied by the wire transfer at Completion of immediately available funds in the aggregate sum of HK\$1,173,060,000 to the bank account designated by the Company.

4.2 The Subscription Shares shall be allotted and issued as fully paid or credited as fully paid. The Subscription Shares shall rank pari passu in all respects among themselves and with the Shares in issue on the date of such allotment and issue.

5. COMPLETION

Completion shall take place at 4:00 p.m. on the day when all the conditions set out in Clause 2.1 are satisfied and at the Company's principal address in Hong Kong (or such other time and/or place as the parties hereto may agree) when all (but not part only unless both parties so agree) of the following business shall be transacted:

- (a) the Subscriber shall procure the delivery to the Company of:
 - (i) the wire transfer of immediately available funds in the aggregate sum of HK\$1,173,060,000 to the bank account designated by the Company; and
 - (ii) a letter applying for the Subscription Shares at the Subscription Price signed by the Subscriber substantially in the form set out in Appendix; and
- (b) the Company shall:
 - (i) allot and issue fully paid to the Subscriber the Subscription Shares and shall procure that the Subscriber be registered in the register of members of the Company; and
 - (ii) deliver to the Subscriber share certificate(s) in respect of the Subscription Shares issued to the Subscriber.

6. RESTRICTIONS ON OFFER AND SALE OF SUBSCRIPTION SHARES

6.1 The Subscriber acknowledges that no prospectus will be issued by the Company nor will any prospectus be registered in any jurisdiction in respect of the Subscription or any subsequent offer or sale of the Subscription Shares.

6.2 The Subscriber undertakes and warrants in favour of the Company that, during the period of one year from the date of Completion, it will not, and it will procure its affiliates not to, without the prior written consent of the Company: (i) offer, lend, pledge, charge, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, any of the Shares (including the Subscription Shares); or (ii) agree or contract to enter into any transaction

described in paragraph (i) above, provided that it shall not restrict any transfer of Shares by the Subscriber to any of its affiliates.

6.3 The Subscriber further undertakes to indemnify the Company and each officer, employee and agent of the Company and to keep each of them fully and effectively indemnified on demand against all losses, damages, costs and expenses which any of them may suffer or sustain and all proceedings which may be brought against any of them in connection with any breach of the undertaking under Clause 6.2.

8. WARRANTIES

8.1 The Company hereby represents and warrants to the Subscriber that the warranties set out in Part 1 of the Schedule to this Agreement are true and correct in all material respects at the date of signing this Agreement and that such warranties shall survive Completion. The warranties given by the Company shall be deemed to be repeated at all times between the date hereof and as at Completion.

8.2 The Subscriber hereby represents and warrants to the Company that the warranties set out in Part 2 of the Schedule to this Agreement are true and correct in all material respects at the date of signing this Agreement and that such warranties shall survive Completion. The warranties given by the Subscriber shall be deemed to be repeated at all times between the date hereof and as at Completion.

8.3 Each of the Company and the Subscriber (as the case may be) hereby agrees that each of the warranties given by it shall be construed as a separate and independent representation and warranty and, except where expressly otherwise stated, no provision in any of such warranties shall govern or limit the extent or application of any other provision in any of such warranties.

9. COSTS AND EXPENSES

Each party shall bear its own costs and expenses (including legal expenses) in respect of the transactions contemplated by this Agreement and all other expenses for the implementation of such transactions.

10. ANNOUNCEMENTS

Save as required by law, the Stock Exchange, the SFC or other relevant regulatory authorities, no press or other announcement shall be made in connection with the subject matter of this Agreement by any party without the prior approval of the other. Where any press or other announcement is required by law, the Stock Exchange, the SFC or other relevant regulatory authorities, the party proposing to make the announcement shall so far as practicable consult with the other party regarding the terms of such announcement prior to its release.

11. CONTINUING OBLIGATIONS AND TIME

11.1 All provisions of this Agreement shall continue in full force and effect notwithstanding Completion except in respect of those matters then already performed.

11.2 Each of the Company and the Subscriber hereby undertakes to the other that it will do all such acts and things and execute all such deeds and documents as may be necessary or desirable to carry into effect or to give legal effect to the provisions of this Agreement and the transactions contemplated hereby.

11.3 Time shall be of the essence of this Agreement as regards any time or period specified herein or which may be varied with the agreements of both parties.

12. SUCCESSORS AND ASSIGNS

This Agreement shall be binding on and shall enure for the benefit of each party's successors and assigns and personal representatives (as the case may be), but no assignment may be made of any of the rights or obligations hereunder of either party without the prior written consent of the other party.

13. COUNTERPARTS

This Agreement may be signed in any number of counterparts, each of which shall be binding upon the party executing it and which together shall constitute one agreement.

14. NOTICES

14.1 Each notice, demand or other communication given, made or serve under this Agreement shall be in writing and delivered or sent to the relevant party by prepaid postage (by airmail if to another country), personal delivery or email to its address as set out below (or such other address as the addressee has by five (5) days' prior written notice specified to the other parties):

To the Company

Address : 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

Attention : Ms. Wang Caixia

Email : wangcx@yourandairy.com

To the Subscriber

Address : 16/F, Building 18
Nuode Zhongxin
Fengtai District
Beijing, the PRC, 100070

Attention : Mr. Sun Di

Email : sundi1@yili.com

15. GOVERNING LAW

15.1 No person shall have any rights under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of this Agreement.

15.2 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.

15.3 The parties hereby submit to the non-exclusive jurisdiction of the courts of Hong Kong in connection herewith but the terms of this Agreement may be enforced in any court of competent jurisdiction.

In witness whereof this Agreement has been duly executed by the parties hereto the day and year first above written.

SCHEDULE

PART 1

The Company's Warranties

1. **Corporate and other power:** The Company is duly incorporated and is validly existing under the laws of Cayman Islands and has power under its memorandum and of association and bye-laws, and all authorisations, approvals, consents and licences required by the Company have been obtained and are in full force and effect, to permit the entry into this Agreement in the manner set out herein, and this Agreement has been duly authorised and executed by, and constitutes legally binding obligations of the Company.
2. **Subscription Shares:** The Subscription Shares are fully paid up and rank pari passu in all respects with the other issued Shares.

PART 2

The Subscriber's Warranties

1. Corporate and other power: The Subscriber is duly incorporated and is validly existing under the laws of Cayman Islands and has power under its memorandum and of association and bye-laws, and all authorisations, approvals, consents and licences required by the Subscriber have been obtained and are in full force and effect, to permit the entry into this Agreement in the manner set out herein, and this Agreement has been duly authorised and executed by, and constitutes legally binding obligations of the Subscriber.

THE COMPANY

SIGNED by

Dong Jiping

for and on behalf of

China Youran Dairy Group Limited

in the presence of:

吕雄宇

Lu Xiongyu

)
)
) 董计平
)
)
)
)

THE SUBSCRIBER

SIGNED by

for and on behalf of

Boyuan Investment Holding Limited

in the presence of:

)
)
)
)
)
)
)

THE COMPANY

SIGNED by

for and on behalf of

China Youran Dairy Group Limited

in the presence of:

)
)
)
)
)
)
)

THE SUBSCRIBER

SIGNED by Zhang Yujun

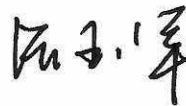
for and on behalf of

Boyuan Investment Holding Limited

in the presence of:



)
)
)
)
)
)
)



Wu Yundalai

APPENDIX

LETTER OF APPLICATION

Date:

China Youran Dairy Group Limited

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

Dear Sirs

Subscription for Shares

We write to apply for [●] shares of US\$0.00001 each (the “**Shares**”) in your Company subject to the memorandum of association and bye-laws of your Company at a subscription price of HK\$[●] per Share.

You are authorised and requested to deliver the share certificates for the Shares applied for ourselves at [●], Hong Kong.

In consideration of the allotment and issue of the Shares to us, we confirm that we are subscribing the Shares as principal on behalf of ourselves and not as nominee or agent and that it is intended that such Shares be subscribed for the purpose of investment only.

Yours faithfully,
For and on behalf of
Boyuan Investment Holding Limited

Name:

Title:

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Youran Dairy Group Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



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)

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;**

(2) APPLICATION FOR WHITEWASH WAIVER;

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisors to the Company for the Specific Mandate Subscription

J.P.Morgan

 **CITIC SECURITIES**

Independent Financial Adviser

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular. A letter from the Board is set out on pages 8 to 24 of this circular.

A notice convening the EGM to be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the AGM, whichever is later) or any adjournment thereof is set out on pages 103 to 105 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed.

Whether or not you propose to attend the EGM you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 11:00 a.m. on Wednesday, May 20, 2026) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

April 30, 2026

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	7
LETTER FROM THE BOARD	8
LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE	25
LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE	27
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	29
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	51
APPENDIX II — SUMMARY OF PROPERTY VALUATION REPORT	55
APPENDIX III — GENERAL INFORMATION	92
NOTICE OF EGM	103

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated January 16, 2026 in relation to the Specific Mandate Subscription and the Whitewash Waiver
“AGM”	the annual general meeting of the Company to be convened and held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 10:00 a.m.
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Boyuan”	Boyuan Investment Holding Limited (博源投資控股有限公司), formerly known as China Youran Dairy Holding Limited (中國優然牧業控股有限公司), a company incorporated in the Cayman Islands, which is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively
“Business Day”	a day (other than a Saturday or Sunday or public holiday in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general commercial business
“Company”	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 21, 2020, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 9858)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the AGM, whichever is later), to consider and, if thought fit, pass the requisite resolutions to approve: (i) the Specific Mandate Subscription; and (ii) the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on May 23, 2025 to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of the passing of such resolution, pursuant to which a maximum of 778,545,566 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committees”	collectively, the Listing Rules Independent Board Committee and the Takeovers Code Independent Board Committee
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation on voting

DEFINITIONS

“Independent Shareholders”	the Shareholders other than (i) Boyuan and its associate (if any) and any parties acting in concert with it; (ii) those who have material interest in the Specific Mandate Subscription or any other person who is required by the Listing Rules to abstain from voting on the resolutions approving the Specific Mandate Subscription and/or the Whitewash Waiver (if any); and (iii) those who are interested or involved in the Specific Mandate Subscription and Whitewash Waiver
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not (i) a connected person(s) of the Company within the meaning of the Listing Rules or (ii) a person(s) acting in concert with Boyuan, Jingang or Yili within the meaning of the Takeovers Code
“Jingang”	Hong Kong Jingang Trade Holding Co., Limited (香港金港商貿控股有限公司), a company incorporated in Hong Kong with limited liability, and a wholly-owned subsidiary of Yili
“Last Trading Date”	January 15, 2026, being the last trading day prior to the signing of the Specific Mandate Subscription Agreement
“Latest Practicable Date”	April 27, 2026, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription (namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin), which is formed in accordance with the Listing Rules to advise the Independent Shareholders on the Specific Mandate Subscription

DEFINITIONS

“Placees”	professional, institutional and other investors selected and procured by or on behalf of J.P. Morgan Securities (Asia Pacific) Limited and CLSA Limited to subscribe for 299,250,000 Shares pursuant to the placing and subscription agreement dated January 16, 2026 entered into by the Company, Boyuan, J.P. Morgan Securities (Asia Pacific) Limited and CLSA Limited
“Placing and Top-up Subscription”	the placing and top-up subscription of 299,250,000 Shares pursuant to the placing and subscription agreement dated January 16, 2026 entered into by the Company, Boyuan, J.P. Morgan Securities (Asia Pacific) Limited and CLSA Limited as disclosed in the Announcement
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Period”	the period commencing from July 17, 2025, being 6 months preceding the date of the Announcement, and ending on the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Specific Mandate Subscription Shares
“Specific Mandate Subscription”	the subscription of the Specific Mandate Subscription Shares by Boyuan pursuant to the terms and conditions of the Specific Mandate Subscription Agreement

DEFINITIONS

“Specific Mandate Subscription Agreement”	the share subscription agreement dated January 16, 2026 entered into between the Company as the issuer and Boyuan as the subscriber in respect of the Specific Mandate Subscription
“Specific Mandate Subscription Price”	HK\$3.92 per Specific Mandate Subscription Share
“Specific Mandate Subscription Shares”	an aggregate of 299,250,000 new Shares to be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers (as amended, modified and supplemented from time to time)
“Takeovers Code Independent Board Committee”	an independent board committee of the Company comprising all the non-executive Directors and independent non-executive Directors who are not interested or involved in the Specific Mandate Subscription and the Whitewash Waiver (namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin), which is formed in accordance with Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the Specific Mandate Subscription and the Whitewash Waiver
“Whitewash Waiver”	the whitewash waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of Boyuan to make a mandatory general offer for all the issued Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and parties acting in concert with it) which might otherwise arise as a result of Specific Mandate Subscription

DEFINITIONS

“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 the controlling shareholder of the Company

“%”

per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Specific Mandate Subscription. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Specific Mandate Subscription Agreement and granting of the Whitewash Waiver, and is therefore for indicative purpose only. Any change to the expected timetable will be announced in separate announcement(s) by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Event	Time and Date
Dispatch date of this circular and notice of EGM	Thursday, April 30, 2026
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the EGM	4:30 p.m. on Monday, May 18, 2026
Register of members of the Company close for determining entitlement to attend and vote at the EGM (both dates inclusive)	Tuesday, May 19, 2026 to Friday, May 22, 2026
Latest time for lodging forms of proxy for the EGM	11:00 a.m. on Wednesday, May 20, 2026
Record date for attending and voting at the EGM	Friday, May 22, 2026
EGM	11:00 a.m. (or immediately after the AGM, whichever is later) on Friday, May 22, 2026
Announcement of results of the EGM	Friday, May 22, 2026
Completion of the Specific Mandate Subscription	Friday, May 29, 2026



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)

Executive Directors:

Mr. Hao Haijun (*Chairman and President*)

Mr. Dong Jiping

Ms. Meng Yilan

Registered Office:

89 Nexus Way

Camana Bay, Grand Cayman

KY1-9009, Cayman Islands

Non-executive Directors:

Mr. Bai Wenzhong

Ms. Li Lin

Mr. Xu, Zhan Kevin

*Headquarter and principal place of
business in the PRC:*

No. 169, Hexi Road, Saihan District

Hohhot, Inner Mongolia

China

Independent non-executive Directors:

Ms. Xie Xiaoyan

Mr. Yao Feng

Ms. Huang Lin

April 30, 2026

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;**

(2) APPLICATION FOR WHITELASH WAIVER;

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Specific Mandate Subscription; (ii) the Whitewash Waiver; (iii) a letter of advice from the Takeovers Code Independent Board Committee and a letter of advice from the Listing Rules Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; and (v) a notice of EGM, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM.

THE SPECIFIC MANDATE SUBSCRIPTION

On January 16, 2026, the Company entered into the Specific Mandate Subscription Agreement with Boyuan, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for, the Specific Mandate Subscription Shares at the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share in accordance with the terms and conditions as set out in the Specific Mandate Subscription Agreement.

The principal terms of the Specific Mandate Subscription Agreement are set out below:

The Specific Mandate Subscription Agreement

Date	16 January 2026
Parties	(a) the Company; and (b) Boyuan
Number of Specific Mandate Subscription Shares	299,250,000
Subscription Price per Specific Mandate Subscription Share	HK\$3.92
Aggregate Subscription Price	HK\$1,173,060,000
Aggregate nominal value of Specific Mandate Subscription Shares	US\$2,992.50 (or approximately HK\$23,339.41)

LETTER FROM THE BOARD

Specific Mandate Subscription Shares

The Specific Mandate Subscription Shares shall be issued and allotted pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, represents: (i) approximately 7.14% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Specific Mandate Subscription Shares (assuming that, save for the allotment and issue of the Specific Mandate Subscription Shares, there will be no change in the issued share capital of the Company).

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, have an aggregate nominal value of HK\$23,339.41 and market value of approximately HK\$1,286.78 million based on the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date.

Ranking

The Specific Mandate Subscription Shares, when issued and allotted, shall rank pari passu in all respects among themselves and with the Shares in issue (including the rights as to dividends, voting and return of capital). Boyuan, as the holder of the Specific Mandate Subscription Shares, will be entitled to receive all future dividends and distributions which are declared, made or paid with reference to a record date falling on or after the date of issuance and allotment of the Specific Mandate Subscription Shares.

The Specific Mandate Subscription Shares, when fully paid, will rank pari passu in all respects with the other Shares in issue or to be allotted and issued by the Company on or prior to the date of completion of the Specific Mandate Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment of the Specific Mandate Subscription Shares.

Specific Mandate Subscription Price

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents:

- (a) a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 8.84% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date;

LETTER FROM THE BOARD

- (c) a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 15.21% to the average closing price of approximately HK\$4.62 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 1.19%, represented by the theoretical diluted price of approximately HK\$4.7134 per Share to the benchmarked price of approximately HK\$4.77 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price on the date of the Announcement of HK\$4.30 per Share and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Announcement of HK\$4.77 per Share), following the completion of the Placing and Top-up Subscription and based on 299,250,000 new Shares to be issued under the Specific Mandate Subscription at HK\$3.92 per Share;
- (g) a premium of approximately 16.21% to the audited consolidated net asset value per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.3732 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB12,159,758,000 as at 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.92604 as at December 31, 2024 published by the State Administration of Foreign Exchange for illustration purposes); and
- (h) a premium of approximately 16.59% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at June 30, 2025 of approximately HK\$3.3623 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB11,936,059,000 as at June 30, 2025 as extracted from the interim report of the Company for the six months ended June 30, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.91195 as at June 30, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

LETTER FROM THE BOARD

The net Specific Mandate Subscription Price (after deduction of all professional fees and related expenses), is estimated to be approximately HK\$3.92 per Specific Mandate Subscription Share.

The Specific Mandate Subscription Price was arrived at after arm's length negotiations between the Company and Boyuan with reference to, among other things, (i) the prevailing market price of the Shares across short and medium term periods, that the Subscription Price represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date, a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share for the five consecutive trading days prior to the date of the Announcement and a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share for the last sixty consecutive trading days prior to the date of the Announcement; (ii) the market conditions before the date of the Specific Mandate Subscription Agreement, including the market volatility and investors' overall trading sentiment towards the Hong Kong stock market; and (iii) the funding needs and financial position of the Group, given that the Placing and Top-up Subscription and the Specific Mandate Subscription is expected to generate an aggregate of net proceeds of approximately HK\$2,330.18 million for the Company to advance technology enablement and digital transformation, repay interest-bearing debt and optimize capital structure, and replenish working capital.

The Directors noted that the short-term Share price exhibited greater fluctuations compared to its medium-term trading ranges, indicating heightened short-term volatility. To determine the Specific Mandate Subscription Price, the Directors thoroughly evaluated the closing prices of the Shares traded on the Stock Exchange over the last sixty consecutive trading days leading up to the date of the Specific Mandate Subscription Agreement (the "**Reference Period**"). This timeframe was chosen as a benchmark to effectively capture the prevailing market price of the Shares and the market conditions (including market volatility and recent investors' trading sentiment). During the Reference Period, the Shares were traded on the Stock Exchange with closing prices ranging from HK\$2.96 to HK\$5.16. The average closing price observed during the Reference Period was approximately HK\$4.06. Consequently, the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share reflects (i) a discount of approximately 24.0% in comparison to the highest closing price of HK\$5.16; (ii) a premium of approximately 32.4% over the lowest closing price of HK\$2.96; and (iii) a discount of approximately 3.4% relative to the average closing price of approximately HK\$4.06 noted during the Reference Period. In addition, since the Group generated a loss of RMB247 million for the six months ended June 30, 2025, the Directors considered that offering a moderate discount is commercially reasonable and prudent strategy to attract and secure subscription.

LETTER FROM THE BOARD

The Specific Mandate Subscription is not conditional on the Placing and Top-up Subscription. Nevertheless, the two transactions were negotiated contemporaneously and priced at the same price of HK\$3.92 per Share to maintain consistency across the Company's capital raising exercises and to avoid differential treatment. While each transaction is conducted on its own terms and conditions, the aggregate net proceeds from both transactions (approximately HK\$2,330.18 million) form part of the Company's overall funding plan in meeting its financing requirements and strategic initiatives. In order to implement the Company's technology enablement and digital transformation initiatives effectively (including but not limited to investments in automation, intelligent and electronic equipment, operating platform and intelligent management system), timely and committed funding are required.

Considering the above factors, the Directors (including the non-executive Director not having interest in the Specific Mandate Subscription and independent non-executive Directors whose opinion is contained in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee) consider that the terms of the Specific Mandate Subscription Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Specific Mandate Subscription is conditional upon:

- (i) the Shareholders having approved at the EGM of (i) the Specific Mandate Subscription Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules and the Takeovers Code; and (ii) the Whitewash Waiver;
- (ii) the granting of the Whitewash Waiver by the Executive and such waiver not having been subsequently revoked or withdrawn;
- (iii) the Listing Committee having granted the listing of and the permission to deal in the Specific Mandate Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked;
- (iv) the warranties given by the Company under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);

LETTER FROM THE BOARD

- (v) the warranties given by Boyuan under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);
- (vi) Boyuan and Yili having obtained all necessary internal approvals in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder, including but not limited to the approval of their respective of board of directors; and
- (vii) if the amount to be used by Boyuan for the Specific Mandate Subscription will be sourced or guaranteed by any fund from the PRC, Boyuan and Yili having obtained or completed all necessary approvals and filings with applicable governmental authorities in the PRC in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date and based on information available to the Company, other than those specifically set out in conditions (i), (ii), (iii) and (vii) above, the Company is not aware of any other approvals, authorisations, consents, filings and reports which are required as set out in the conditions above.

None of the conditions of the Specific Mandate Subscription can be waived by the parties to the Specific Mandate Subscription Agreement.

Completion of the Specific Mandate Subscription

Completion of the Specific Mandate Subscription shall take place on the day of the satisfaction of all the conditions, or such other date as Boyuan and the Company may agree in writing.

Termination of the Specific Mandate Subscription Agreement

If any of the conditions in the paragraph headed “Conditions Precedent” above has not been satisfied before June 30, 2026, or such date as Boyuan and the Company may agree in writing, the Specific Mandate Subscription Agreement shall terminate with immediate effect.

INFORMATION ON THE GROUP

The Group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

LETTER FROM THE BOARD

INFORMATION ON BOYUAN

Boyuan is a company incorporated in the Cayman Islands, it is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively. Jingang is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yili.

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is the Company's controlling shareholder and one of its major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC. Hohhot Investment Co., Ltd. (呼和浩特投資有限責任公司), the largest shareholder of Yili, holds 538,535,826 A shares of Yili (representing approximately 8.51% of Yili's A shares), and is principally engaged in property leasing, asset operation, investment income management and the entrusted management of state-owned assets.

REASONS FOR AND BENEFITS OF THE SPECIFIC MANDATE SUBSCRIPTION AND USE OF PROCEEDS

The Specific Mandate Subscription demonstrates the confidence of Yili and Boyuan in the industry outlook and the Company's long term business development. It also further enlarges the Shareholders' equity base of the Company and supports the development of the Company. The Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) also consider the terms of the Specific Mandate Subscription Agreement to be fair and reasonable, in the interests of the Company and the Shareholders as a whole and that the Specific Mandate Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and Boyuan.

While the Company has completed the Placing and Top-up Subscription in January 2026 which generated net proceeds of approximately HK\$1,158.59 million, the Company would still need to raise additional funding by way of Specific Mandate Subscription to support its development (including advancing technology enablement and digital transformation, repaying interest-bearing debt and optimizing capital structure, and replenishing working capital). Considering the recent prevailing market conditions and market price of the Shares and the factors as set out above, the Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) consider that the Specific Mandate Subscription represents an opportunity to raise additional funding for business operation of the Group. The Company has considered other alternative fundraising methods, such as debt financing. However, debt financing will have a negative impact on the gearing ratio of the Company and incur additional financing costs. On the other hand, the Specific Mandate Subscription will help the Company to repay certain debts and reduce its overall financing costs.

LETTER FROM THE BOARD

The Specific Mandate Subscription will not result in a change of control of the Company. Boyuan and parties acting in concert with it have also confirmed to the Company that they do not intend to introduce major changes to the Group's existing business and/or operations, the composition of the Board, fixed asset deployment and employment of the current employees. Boyuan has no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) on (i) injection of any other new business to the Group; (ii) any disposal, termination or scaling down of the existing businesses of the Group; or (iii) any change in the shareholding structure of the Company (save for the Specific Mandate Subscription). It is also the intention of Boyuan to maintain the Company's listing status on the Stock Exchange.

The Company intends to apply the net proceeds from the Specific Mandate Subscription as follows:

- (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency. In particular, the Company plans to invest in the procurement, construction and upgrading of intelligent and electronic equipment and facilities of dairy farms, as well as the upgrading of the production lines of feed factories to further enhance the level of automation. In addition, the Company will plan to implement upgrading projects such as replacing fuel-powered vehicles with electric vehicles. The Company also plans to invest in, among others, the development of precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, the establishment of big data analysis and decision-making platform, and the development of an intelligent management system of forage cultivation. Collectively, these technological and digital initiatives are expected to enhance the Company's operations across the entire industry value chain. These initiatives are also expected to effectively improve the operational efficiency of the Company's principal business while strengthening its core competitiveness;
- (ii) approximately 55% for repaying interest-bearing debt (none of which will be loans from Shareholders) and optimizing capital structure to provide flexibility for potential acquisitions of or investment opportunities. The Company intends to prioritise the settlement of borrowings due within one year, which typically involve relatively higher comprehensive costs. After considering factors such as interest rates of outstanding loans, as well as any applicable break costs or prepayment fees associated with early settlement, such an approach is expected to reduce the Company's financing risk and save interest expenses. It is expected that such repayment of interest-bearing debt will be completed within one year and in any event before December 31, 2026. The repayment of interest-bearing loans would lower the Company's gearing ratio, thereby optimizing the Company's overall capital structure. Furthermore, the Company intends to seize favourable opportunities to acquire high quality dairy farming assets at reasonable prices, accelerate its strategic deployment, meet future market demand and ensure the stability of raw milk supply. As at the Latest Practicable Date, the Company has not identified any target for potential acquisitions or investment opportunities.

LETTER FROM THE BOARD

Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate; and

- (iii) approximately 10% for replenishing working capital and for general corporate purpose.

The following table sets out the expected timeline for the utilization of net proceeds from the Specific Mandate Subscription:

Use of proceeds	Intended use of the net proceeds (Approx. HK\$ million)	Timeline for the utilization of the net proceeds
Advancing technology enablement and digital transformation in enhancing operational efficiency	410.0	Expected to be fully utilized by December 31, 2028 ^(Note 1)
Repaying interest-bearing debt and optimizing capital structure to provide flexibility for potential acquisitions or investment opportunities	644.4	Expected to be fully utilized by December 31, 2026
Replenishing working capital and for general corporate purpose	117.2	Expected to be fully utilized by December 31, 2026

Note 1: The expected timeline for the utilization of the net proceeds for advancing technology enablement and digital transformation in enhancing operational efficiency is based on the Group's best estimation and is subject to change.

LETTER FROM THE BOARD

FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has recently completed the Placing and Top-up Subscription on January 26, 2026 and the relevant information is as follows:

Date of announcement	Details of equity fund raising activity	Net proceeds	Intended use of proceeds
January 16, 2026	Allotment and issuance of 299,250,000 new Shares under the General Mandate	Approximately HK\$1,158.59 million	(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 purpose.

As at the Latest Practicable Date, the Company has utilized approximately 55% of the net proceeds from the Placing and Top-up Subscription (approximately HK\$637.2 million) for repaying interest-bearing debt. Based on the Group's best estimation, it is expected that the remaining net proceeds from the Placing and Top-up Subscription would be utilized (i) for advancing technology enablement and digital transformation in enhancing operational efficiency by December 31, 2028, and (ii) for replenishing working capital and for general corporate purpose by December 31, 2026, respectively.

Save as disclosed above, the Company has not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company does not have any convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of the Latest Practicable Date; and (b) immediately after completion of the Specific Mandate Subscription, assuming there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the completion, are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Specific Mandate Subscription	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Yili and its parties acting in concert (Note 1)				
Boyuan (Note 1)	800,000,000	19.08%	1,099,250,000	24.48%
Jingang (Note 1)	520,800,000	12.42%	520,800,000	11.60%
Subtotal	1,320,800,000	31.51%	1,620,050,000	36.07%
The Placees	299,250,000	7.41%	299,250,000	6.66%
Other Public Shareholders	2,571,927,833	61.35%	2,571,927,833	57.27%
Total	4,191,977,833	100%	4,491,227,833	100%

Notes:

1. As at the Latest Practicable Date, Yili is indirectly interested in 1,320,800,000 Shares through its wholly-owned subsidiaries, Boyuan and Jingang.
2. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Specific Mandate Subscription Shares.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date,

- (a) Boyuan (a wholly-owned subsidiary of Yili) holds 800,000,000 Shares, representing approximately 19.08% of the issued share capital of the Company; and
- (b) Jingang (a wholly-owned subsidiary of Yili), a party acting in concert with Boyuan, holds 520,800,000 Shares, representing approximately 12.42% of the issued share capital of the Company.

LETTER FROM THE BOARD

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Specific Mandate Subscription, (i) the shareholding of Boyuan in the Company will increase from approximately 19.08% to approximately 24.48% of the issued share capital of the Company and (ii) the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company, in each case as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive. Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

The Executive may or may not grant the Whitewash Waiver. The Specific Mandate Subscription will not proceed if the Whitewash Waiver is not granted or approved or is invalidated.

As at the Latest Practicable Date, the Company does not believe that the Specific Mandate Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should any concern arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Specific Mandate Subscription does not comply with other applicable rules and regulations.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Save for the Placing and Top-up Subscription pursuant to which Boyuan sold 299,250,000 Shares and subscribed for 299,250,000 Shares, neither Boyuan nor any of the parties acting in concert with it has any dealings in the Shares in the 6 months prior to the date of the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Boyuan is a substantial shareholder of the Company, hence, a connected person of the Company.

The Specific Mandate Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription Agreement. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have abstained from voting on the Board resolutions in relation to the Specific Mandate Subscription Agreement. Save as disclosed above, none of the Directors had a material interest in the matters contemplated therein nor was any of them required to abstain from voting on the relevant Board resolutions approving the Specific Mandate Subscription Agreement and the respective transactions contemplated thereunder.

ESTABLISHMENT OF THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Director and independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription and the Whitewash Waiver, namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription and the Whitewash Waiver. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have not been included in the Takeovers Code Independent Board Committee.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription is fair and reasonable and make recommendation as to voting.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

LETTER FROM THE BOARD

GENERAL

The Specific Mandate Subscription and the Whitewash Waiver are subject to Independent Shareholders' approval. The Specific Mandate Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the EGM.

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, pass the requisite resolutions to approve, among other things: (i) the Specific Mandate Subscription; and (ii) the Whitewash Waiver. The Specific Mandate Subscription and the Whitewash Waiver are subject to the approval by more than 50% and at least 75% of the votes cast by the Independent Shareholders either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

As at the Latest Practicable Date, the aggregate interest in the Company held by Boyuan, its associates and any parties acting in concert with Boyuan amounted to 1,320,800,000 Shares, representing approximately 31.51% of the issued share capital of the Company. Boyuan, its associates, any parties acting in concert with Boyuan, and any other party who is interested in or involved in the Specific Mandate Subscription and/or the Whitewash Waiver, will abstain from voting in respect of the resolution(s) to approve the Specific Mandate Subscription and the Whitewash Waiver at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the Specific Mandate Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Specific Mandate Subscription and the Whitewash Waiver.

As disclosed in the Takeovers Bulletin Issue No. 60 March 2022, the Executive expects all meetings with Codes-related resolutions requiring approval of disinterested or independent shareholders to be chaired by a person who is disinterested and independent (as defined under the relevant provisions of the Codes on Takeovers and Mergers and Share Buy-backs). Mr. Hao Haijun, an executive Director and chairman of the Board, who is a disinterested Director, will act as the chairman of the EGM.

A notice convening the EGM to be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the AGM, whichever is later) is set out on pages 103 to 105 of this circular.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, May 19, 2026 to Friday, May 22, 2026, both days inclusive, during which period no transfer of shares will be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the EGM will be Friday, May 22, 2026. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, May 18, 2026.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Takeovers Code Independent Board Committee set out on pages 25 to 26 of this circular and the letter from the Listing Rules Independent Board Committee set out on pages 27 to 28 of this circular containing their recommendations to the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 50 of this circular, containing its advice to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

The Directors (including the members of the Takeovers Code Independent Board Committee and Listing Rules Independent Board Committee, whose views are set out in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee respectively) consider that the terms and conditions of the Specific Mandate Subscription Agreement (including the Specific Mandate Subscription Price) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Since completion of the Specific Mandate Subscription is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Specific Mandate Subscription Agreement, the Specific Mandate Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Specific

LETTER FROM THE BOARD

Mandate Subscription, respectively, at the EGM. Completion of the Specific Mandate Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders and the Whitewash Waiver not being invalidated.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,
For and on behalf of the Board of
China Youran Dairy Group Limited
Hao Haijun
Chairman and Executive Director



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)

April 30, 2026

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Company to its shareholders dated April 30, 2026 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Takeovers Code Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee, Independent Shareholders and us in respect of the terms of the Specific Mandate Subscription and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 29 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 24 of the Circular and the additional information set out in Appendix I, Appendix II and Appendix III thereto.

LETTER FROM THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Specific Mandate Subscription and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the Specific Mandate Subscription is on normal commercial terms and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,

For and on behalf of
the Takeovers Code Independent Board Committee of
China Youran Dairy Group Limited

Mr. Xu, Zhan Kevin
Non-executive Director

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director



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)

April 30, 2026

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Company to its shareholders dated April 30, 2026 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Listing Rules Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, Independent Shareholders and us in respect of the terms of the Specific Mandate Subscription and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 29 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 24 of the Circular and the additional information set out in Appendix I, Appendix II and Appendix III thereto.

LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Specific Mandate Subscription and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the Specific Mandate Subscription is on normal commercial terms and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
the Listing Rules Independent Board Committee of
China Youran Dairy Group Limited

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

Rainbow Capital (HK) Limited

April 30, 2026

To the Independent Board Committees and the Independent Shareholders

China Youran Dairy Group Limited
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

Dear Sir or Madam,

(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated April 30, 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On January 16, 2026, the Company entered into the Specific Mandate Subscription Agreement with Boyuan, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for, the Specific Mandate Subscription Shares at the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share in accordance with the terms and conditions as set out in the Specific Mandate Subscription Agreement. Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

As at the Latest Practicable Date, Boyuan is a substantial shareholder of the Company, hence, a connected person of the Company. The Specific Mandate Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription is fair and reasonable and make recommendation as to voting. Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription and the Whitewash Waiver, namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has also been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders in this respect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Boyuan is a wholly-owned subsidiary of Yili. As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Yili and its parties acting in concert that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the revision of annual caps under the financial services framework agreement entered into between the Company and Yili Finance Company Limited, a wholly-owned subsidiary of Yili, details of which were set out in the circular of the Company dated September 8, 2025; and (ii) the renewal of continuing connected transactions in relation the raw milk purchase and sale framework agreement and the financial services framework agreement, details of which were set out in the circular of the Company dated April 27, 2026. Other than that, there was no engagement or connection between the Group or Yili and its parties acting in concert and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or Yili and its parties acting in concert. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group, Yili and its parties acting in concert or any of their respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Specific Mandate Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

(i) Financial performance

Set out in the table below is a summary of the audited consolidated financial information of the Group for the years ended December 31, 2023, 2024 and 2025 ("FY2023", "FY2024" and "FY2025", respectively) as extracted from the Company's annual reports for FY2024 and FY2025:

	FY2025	FY2024	FY2023
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	20,653,706	20,096,160	18,693,896
– Raw milk	16,023,947	15,100,802	12,902,987
– Comprehensive ruminant farming solutions	4,629,759	4,995,358	5,790,909
Cost of sales	(19,520,335)	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5,020,326	4,468,909	3,275,246
Gross profit	6,153,697	5,782,990	4,469,785
Losses arising from changes in fair value less costs to sell of biological assets	(4,311,969)	(3,921,360)	(3,613,271)
Other income	429,167	549,370	453,821
Impairment losses under expected credit loss model, net of reversal	(45,630)	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill	–	–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	(48,141)	(512,850)	(7,879)
Other gains and losses	1,860	(102,152)	143,430
Selling and distribution expenses	(638,155)	(632,290)	(619,566)
Administrative expenses	(854,553)	(806,677)	(778,154)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	FY2025	FY2024	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Other expenses	(166,374)	(122,881)	(70,383)
Share of losses of associates	(78,407)	(79,666)	(126,559)
Share of loss of a joint venture	(1,416)	(989)	(541)
Finance costs	(817,814)	(903,487)	(1,082,592)
Loss before tax	(377,735)	(774,465)	(1,359,504)
Income tax expense	(57,567)	(87,022)	(93,388)
Loss for the year	(435,302)	(861,487)	(1,452,892)
Loss for the year attributable to the Shareholders	(432,386)	(690,890)	(1,049,980)

FY2024 as compared to FY2023

The Group's revenue increased by 7.5% from RMB18,694 million for FY2023 to RMB20,096 million for FY2024, which was primarily due to the growth of raw milk business. The Group's revenue generated from raw milk increased by 17.0% from RMB12,903 million for FY2023 to RMB15,101 million for FY2024, which was mainly due to the increase of 24.6% in the sales volume of raw milk from 2,945,840 tons for FY2023 to 3,669,563 tons for FY2024 as a result of continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure. The Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons for FY2024, representing an increase of 5.0% from 12.0 tons for FY2023. During FY2024, the Group put 6 new dairy farms into operation, including 1 organic dairy farm and 1 dairy goat farm, which further enriched the specialty raw milk offerings of the Group.

The Group's gross profit increased by 29.4% from RMB4,470 million for FY2023 to RMB5,783 million for FY2024, while its gross profit margin rose from 23.9% for FY2023 to 28.8% for FY2024. The increase in gross profit margin was mainly attributable to (a) a decrease in the purchase prices of bulk raw materials in the domestic market; (b) continued improvements in feed conversion rates and milk yield per milkable cow; and (c) strict cost control.

The Group recorded impairment loss recognised in respect of property, plant and equipment and right-of-use assets of RMB513 million for FY2024, as compared to that of RMB8 million for FY2023. This was mainly due to the impact of the industry environment, which has led to indications of impairment on certain long-term assets of the Group's dairy farms located in low raw milk price regions in Northwest China.

The Group's loss for the year decreased by 40.7% from RMB1,453 million for FY2023 to RMB861 million for FY2024, which was mainly due to the increase in gross profit and partially offset by the increase in impairment loss recognised in respect of property, plant and equipment and right-of-use assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2025 as compared to FY2024

The Group's revenue increased by 2.8% from RMB20,096 million for FY2024 to RMB20,654 million for FY2025, which was mainly due to the increase in revenue generated from raw milk and partially offset by the decrease in revenue generated from comprehensive ruminant farming solutions. The Group's revenue generated from raw milk increased by 6.1% from RMB15,101 million for FY2024 to RMB16,024 million for FY2025, which was mainly due to the increase of 13.2% in the sales volume of raw milk from 3,669,563 tons for FY2024 to 4,153,082 tons for FY2025. The Group's revenue generated from comprehensive ruminant farming solutions decreased by 7.3% from RMB4,995 million for FY2024 to RMB4,630 million for FY2025, which was primarily attributable to (a) a decline in sales volume driven by weaker industry demand; and (b) dynamic adjustments to product pricing in response to lower market prices of bulk raw materials.

The Group recorded a gross profit of RMB5,783 million for FY2024, representing a gross profit margin of 28.8%, and a gross profit of RMB6,154 million for FY2025, representing a gross profit margin of 29.8%. The increase in gross profit margin was primarily attributable to the decline in domestic bulk raw material purchase prices, together with the Group's continued efforts in promoting lean operation management and enhancing efficiency through effective cross-business collaboration, which collectively contributed to the improvement in the Group's gross profit margin.

The Group's losses arising from changes in the fair value less costs to sell of biological assets amounted to RMB3,921 million for FY2024 and RMB4,312 million for FY2025. Such losses primarily arose from the decline in the selling price of raw milk, the increase in the number of culled cows and the decrease in market prices of heifers.

Despite recording gross profit, the Group remained in a net loss position due to the significant losses arising from changes in the fair value less costs to sell of biological assets. The Group's loss for the year decreased by 49.5% from RMB861 million for FY2024 to RMB435 million for FY2025, which was mainly due to the increase in gross profit, the decrease in impairment losses of property, plant and equipment and right-of-use assets, and the decrease in finance costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

Set out below is a summary of the consolidated financial position of the Group as at December 31, 2023, 2024 and 2025:

	December 31, 2025 RMB'000 (audited)	December 31, 2024 RMB'000 (audited)	December 31, 2023 RMB'000 (audited)
Total current assets	8,708,765	8,356,193	11,406,409
Total non-current assets	33,662,048	35,300,474	34,793,319
Total current liabilities	20,321,338	21,109,887	20,914,580
– Bank and other borrowings	16,083,449	16,709,437	16,433,086
Total non-current liabilities	10,207,661	10,387,022	12,186,453
– Bank and other borrowings	7,328,389	7,546,965	9,826,502
Net assets	11,841,814	12,159,758	13,098,695
Net gearing ratio (<i>Note</i>)	176.7%	185.2%	165.2%

Note: 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%.

The Group's net assets decreased by 7.2% from RMB13,099 million as at December 31, 2023 to RMB12,160 million as at December 31, 2024, and further decreased by 2.6% to RMB11,842 million as at December 31, 2025, which was mainly due to that the Group recorded loss for the year of RMB861 million for FY2024 and RMB435 million for FY2025.

The Group's net gearing ratio increased from 165.2% as at December 31, 2023 to 185.2% as at December 31, 2024, and decreased to 176.7% as at December 31, 2025, which were mainly due to the decrease in the Group's net assets and the decrease in the Group's net debt respectively. The Group's total bank and other borrowings amounted to RMB26,260 million, RMB24,256 million and RMB23,412 million as at December 31, 2023, December 31, 2024 and December 31, 2025, respectively.

(iii) *Industry overview*

In 2025, despite a further contraction in cattle herd sizes in the PRC, raw milk output grew slightly due to improvements in milk yield per milkable cow. According to the National Bureau of Statistics, total raw milk output slightly increased by 0.3% for the year ended December 31, 2025. However, numerous external uncertainties, insufficient effective domestic demands and persistent supply demand imbalances in the industry have together exerted significant pressure on the dairy products industry. As a result, milk prices fell to multi-year lows. Data from the Ministry of Agriculture and Rural Affairs indicated that the average price of raw milk in China's major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024.

On the policy front, the Ministry of Agriculture and Rural Affairs explicitly stated in June 2025 its intention to expand the coverage of “Student Milk” during a dairy industry symposium, extending the program from the compulsory education stage to preschool education to increase its penetration rate. Concurrently, the National Health Commission and the State Administration for Market Regulation jointly issued the Amendment No. 1 to the National Food Safety Standard for Sterilized Milk, which stipulates that only raw milk can be used in the production of sterilized milk, and the use of reconstituted milk is forbidden. The new standard took effect on September 16, 2025. The aforementioned policies aim to strengthen the quality of milk sources, expand the demand for raw milk, promote the development of domestic dairy cattle breeding industry, meet consumers’ demand for high-quality dairy products, and facilitate the high-quality development of the entire dairy industry chain. The policies are expected to have a positive impact on the industry’s long-term outlook. However, in the short term, the industry continues to face supply-demand imbalances, which have contributed to continued decline in the selling price of raw milk in 2025. As a result, while the policy direction is supportive, we consider that near-term market conditions remain challenging.

(iv) Overall comments

The Group’s raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group’s gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. Despite recording gross profit, the Group remained in a net loss position due to significant losses arising from changes in the fair value less costs to sell of biological assets. Loss arising from changes in fair value less costs to sell of biological assets represents the difference in fair value less costs to sell of the Group’s biological assets from period to period, due to the changes in biological assets’ physical attributes and market prices of the Group’s biological assets and the changes in discounted future cash flows to be generated by the Group’s biological assets. The fair value is measured by reference to local market selling prices or by projecting future cash flows to be generated from those biological assets and discounting them to a present day value. Because biological assets are revalued at every reporting period, their fair value changes are unaffected by the original acquisition cost. As at December 31, 2025, the Group’s biological assets comprised 19,932 dairy goats and 618,796 dairy cows (including 340,408 milkable cows and 278,388 calves and heifers). Attributable to the prolonged downturn in raw milk prices in recent years, the Company recorded losses arising from changes in fair value less costs to sell of biological assets of RMB3,613 million, RMB3,921 million and RMB4,312 million for FY2023, FY2024 and FY2025, respectively, representing approximately 80.8%, 67.8% and 70.1% of the gross profit for the corresponding periods. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company’s short-term outlook to remain uncertain.

2. Information on Boyuan

Boyuan is a company incorporated in the Cayman Islands, it is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively. Jingang is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yili.

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is the Company's controlling shareholder and one of its major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC.

3. Reasons for and benefits of the Specific Mandate Subscription

The Company intends to apply the total amount of net proceeds from the Specific Mandate Subscription as to (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency; (ii) approximately 55% for repaying interest-bearing debt; and (iii) approximately 10% for replenishing working capital and for general corporate purposes.

In terms of advancing technology enablement, the Company plans to invest in the procurement, construction and upgrading of intelligent and electronic equipment and facilities of dairy farms, as well as the upgrading of the production lines of feed factories to further enhance the level of automation. In addition, the Company will plan to implement upgrading projects such as replacing fuel-powered vehicles with electric vehicles. In terms of digital transformation, the Company plans to invest in, including but not limited to, developing precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, establishing big data analysis and decision-making platform, and developing an intelligent management system of forage cultivation. The Group expects to fully utilize this portion of the net proceeds and complete its technological enablement and digital transformation by December 31, 2028. As disclosed in the Group's annual reports for FY2024 and FY2025, the Group has actively responded to industry challenges and achieved breakthroughs through technological empowerment. The Group has continued to promote lean operations and digital management practices to further enhance operational efficiency. Given the challenging industry conditions, we consider it necessary for the Group to continue strengthening its technological capabilities and digital initiatives.

In determining which interest-bearing debt to repay, the Group will take into account the respective maturity profiles and interest rates, and will prioritize the settlement of higher-cost debt maturing within the next twelve months. The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. The Top-up Subscription and the Specific Mandate Subscription are not inter-conditional. The Specific Mandate Subscription will further optimise the Company's capital structure, reduce its net gearing ratio, and increase its net assets. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. A lower net gearing ratio will allow the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

greater flexibility in selecting fundraising methods for potential acquisitions, including the possibility of debt financing or funding with internal resources. The Company intends to seize favourable opportunities to acquire high quality dairy farming assets at reasonable prices, accelerate its strategic deployment, meet future market demand and ensure the stability of raw milk supply. As at the Latest Practicable Date, the Company had not identified any potential acquisition targets or investment opportunities.

As stated in the Letter from the Board, the Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development. It also further enlarges the Shareholders' equity base of the Company and supports the development of the Company. We consider that, following the significant increase in the Company's Share price during the Review Period (as defined below), the controlling shareholder's proposed increase in shareholding would enhance market confidence in the Company.

The Company has considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders, which is not in line with the Company's funding needs. We have reviewed the Company's annual report for FY2025. The Group had cash and deposits of approximately RMB2,491 million and bank and other borrowings of approximately RMB23,412 million as at December 31, 2025. Of these borrowings, RMB16,083 million is due within one year. As at December 31, 2025, the Group's net gearing ratio was 176.7%. Accordingly, we consider that debt financing would increase the Company's financial burden and is not the most appropriate financing method for the Company.

In respect of other equity financing methods, rights issue is the most commonly adopted equity financing method in the market. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Additional cost would be required for rights issue and open offer, including underwriting commission, as compared to the Specific Mandate Subscription. In view of the current industry conditions, there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required. Therefore, we consider that rights issue and open offer are not the most appropriate financing methods for the Company.

We have reviewed the Stock Exchange's website and noted that since the Company's listing, apart from the issuance of consideration shares in July 2024 to acquire 8.50% of the total equity interest in SKX and the Top-up Subscription completed on January 26, 2026, the Company did not conduct any equity financing. While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimize its capital structure, and enhance its risk-resistance capabilities.

Having taken into consideration the above factors, we consider that although the Specific Mandate Subscription is not conducted in the ordinary and usual course of business of the Company, the Specific Mandate Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Specific Mandate Subscription Agreement, details of which are set out in the Letter from the Board.

Parties	:	(i) the Company; and (ii) Boyuan.
Specific Mandate Subscription Shares	:	Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.
Specific Mandate Subscription Price	:	HK\$3.92 per Specific Mandate Subscription Share.
Lock-up undertaking	:	Boyuan undertook that, during a period of one year from the date of completion of the Specific Mandate Subscription, Boyuan will not, and Boyuan will procure its affiliates not to, without the prior written consent of the Company: (i) offer, lend, pledge, charge, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, any of the Shares (including the Specific Mandate Subscription Shares); or (ii) agree or contract to enter into any transaction described in paragraph (i) above, provided that it shall not restrict any transfer of Shares by Boyuan to any of its affiliates.

5. Specific Mandate Subscription Price

(i) Price comparison

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents:

- (a) a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (b) a discount of approximately 8.84% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 15.21% to the average closing price of approximately HK\$4.62 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 25.10% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.1334 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB11,295,246,000 as at 31 December 2024 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.92604 as at December 31, 2024 published by the State Administration of Foreign Exchange for illustration purposes); and
- (g) a premium of approximately 25.52% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2025 of approximately HK\$3.1229 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB10,980,148,000 as at December 31, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.90322 as at December 31, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

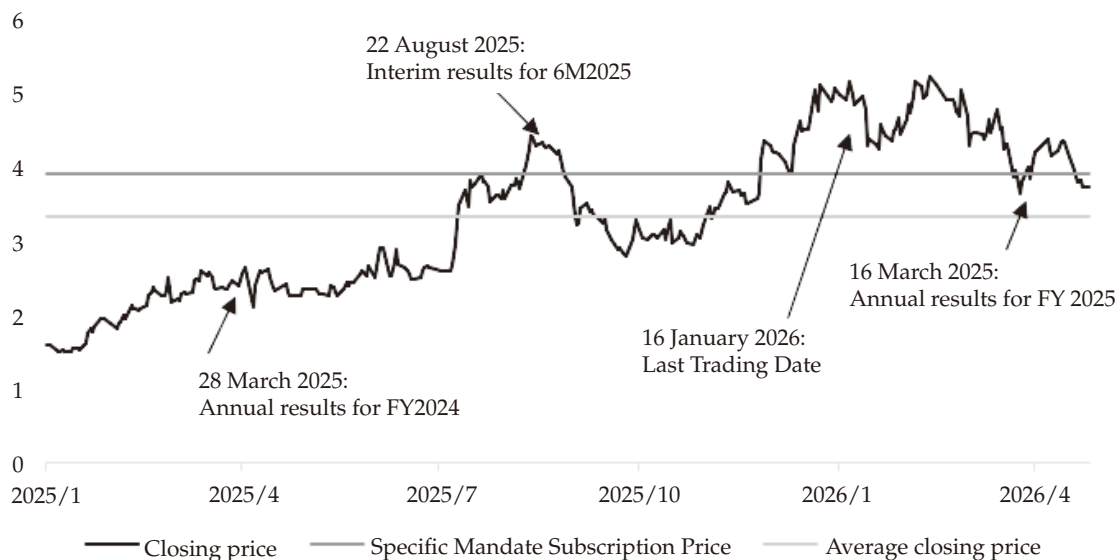
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Specific Mandate Subscription Price was arrived at after arm's length negotiations between the Company and Boyuan with reference to, among other things, the prevailing market price of the Shares and the market conditions, and the funding needs and financial position of the Group. The Specific Mandate Subscription Price was the same as the Placing and Top-up Subscription price.

(ii) Historical Share price performance

Set out below is the chart showing the movement of the daily closing price of the Shares during the period from January 1, 2025 to the Latest Practicable Date (the "**Review Period**"). We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the general trend and level of movement of the daily closing price of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing price of the Shares and the Specific Mandate Subscription Price. In addition, a longer 1-year period for the Share price analysis serves to filter out short-term market volatility. The Review Period ensures that the comparison between the closing price and the Specific Mandate Subscription Price is grounded in a reasonable historical trend, rather than being influenced by short-term market volatility.

Historical daily closing price per Share



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the closing price of the Shares ranged from HK\$1.50 per Share recorded on January 8, 2025 to HK\$5.23 per Share recorded on February 13, 2026, with an average closing price of HK\$3.34 per Share. The Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period.

The Share price demonstrated a strong upward trajectory during the Review Period. Based on our review of the information published by the Company, we consider that the increase in the Share price was mainly driven by market recognition of the Group's cost-control initiatives and the stability in its raw milk output despite pricing pressures. As discussed in the section headed "1. Information on the Group" above, the Group still maintained strong operational momentum. The Group's raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group's gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. The Share price was also influenced by the market sentiment as reflected by the Hang Seng Index, which increased by 27.8% in 2025. Following the publication of the interim results for the six months ended June 30, 2025 on 22 August 2025, the Share price declined from HK\$4.18 per Share on August 25, 2025 to HK\$2.80 per Share on September 26, 2025, and subsequently rebounded to a peak of HK\$5.16 per Share on January 7, 2026. We have made enquiries with the management of the Company and, save for the disposals of Shares by PAGAC Yogurt Holding II Limited and Meadowland Investment Limited Partnership in September 2025, which may have affected investor confidence, we are not aware of any other information that contributed to the decline in the Share price during the period from August 25, 2025 to September 26, 2025.

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date and a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Historical trading liquidity of the Shares*

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of the Shares in issue and held by the public during the Review Period:

			Approximate percentage of average daily trading volume to the total number of the Shares in issue (Note 1)	Approximate percentage of average daily trading volume to the total number of the Shares held by the public (Note 2)
2025				
January	19	8,734,619	0.2244%	0.3396%
February	20	19,141,273	0.4917%	0.7442%
March	21	14,554,943	0.3739%	0.5659%
April	19	21,727,161	0.5581%	0.8448%
May	20	11,034,336	0.2835%	0.4290%
June	21	22,138,846	0.5687%	0.8608%
July	22	30,467,731	0.7827%	1.1846%
August	21	22,162,197	0.5693%	0.8617%
September	22	43,117,197	1.1076%	1.6765%
October	20	17,969,889	0.4616%	0.6987%
November	20	23,877,978	0.6134%	0.9284%
December	21	23,514,259	0.6041%	0.9143%
2026				
January	21	45,548,938	1.0866%	1.5864%
February	17	16,761,872	0.3999%	0.5838%
March	22	26,481,884	0.6317%	0.9223%
From April 1, 2026 to the Latest Practicable Date	16	18,715,189	0.4465%	0.6518%

Notes:

1. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly return of the Company.
2. Based on the number of the Shares held by the public Shareholders as calculated by deducting the number of Shares held by the Yili and its parties acting in concert as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the trading of the Shares was generally inactive during the Review Period. The maximum average daily trading volume of the Shares in 2025 was approximately 43,117,197 Shares in September 2025, representing approximately 1.1076% of the total issued Shares and approximately 1.6765% of the issued Shares held by the public. The higher trading volume in September 2025 relative to other months in 2025 was mainly due to that (a) PAGAC Yogurt Holding II Limited, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares; and (b) Meadowland Investment Limited Partnership, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares. Such disposals not only directly increased trading volume but also may have affected other investors' confidence in the Shares, further contributing to the overall rise in trading activity.

The maximum average daily trading volume of the Shares in January 2026 was approximately 45,548,938 Shares, representing approximately 1.0866% of the total issued Shares and approximately 1.5864% of the issued Shares held by the public, which we consider was mainly driven by the announcement of the Specific Mandate Subscription.

The generally thin liquidity of the Shares during the Review Period which indicates the potential difficulties in initiating Boyuan to participate in the Specific Mandate Subscription should the Specific Mandate Subscription Price have been set at a premium to the Share price on the Last Trading Date.

(iv) Comparison transactions

To assess the fairness and reasonableness of the Specific Mandate Subscription Price, we have conducted a review of recent market practices involving the issuance of new shares under a specific mandate. We identified an exhaustive list of 7 comparable transactions (the "**Comparable Transactions**") based on the following criteria (the "**Criteria**"): (a) transactions announced by companies listed on the Main Board of the Stock Exchange during the period from July 17, 2025 up to and including the Last Trading Date, being approximately six months prior to the Last Trading Date that allows us to identify sufficient samples of comparable transactions for analysis; (b) transactions involving a connected subscription of new shares under the specific mandate; and (c) transactions that did not involve acquisitions, issuance of convertible bond or A shares, rights issues, open offers, loan capitalisation, or restructuring. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Specific Mandate Subscription. The review period for the Comparable Transactions is more condensed than the Review Period for the Share price movement, primarily to strike an optimal balance between maintaining a robust sample size and ensuring the Comparable Transactions reflect the latest market pricing benchmarks.

Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions conducted by companies listed on the Main Board of the Stock Exchange. We are of the view that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the discounts of subscription prices to market prices are not solely determined by these companies' financial performance or funding needs, nor is it merely a result of commercial negotiations with the subscribers. Such discounts are also significantly influenced by prevailing market sentiment. As the market price serves as the most direct reference for independent shareholders, the Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions. Furthermore, as discussed below, there is a lack of recent, comparable transactions among industry peers, and the comparable company analysis is not appropriate. Therefore, we consider that the Comparable Transactions offer a more reliable benchmark for assessing the Specific Mandate Subscription Price and are fair and representative for our analysis.

Company name (stock code)	Date of announcement	Premium/(discount) of the subscription price over/to the closing price per share on the last trading date (the "LTD Premium/ Discount") (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days immediately prior to and including the last trading date (the "5 Days Premium/ Discount") (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the last 30 consecutive trading days immediately prior to and including the last trading date (the "30 Days Premium/ Discount") (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the last 60 consecutive trading days immediately prior to and including the last trading date (the "60 Days Premium/ Discount") (%)
Energy International Investments Holdings Limited (353)	December 24, 2025	(18.33)	(19.41)	(22.79)	(23.54)
BeijingWest Industries International Limited (2339)	November 17, 2025	(34.21)	(20.00)	(18.17)	(2.35)
China Wacan Group Company Limited (1920)	November 10, 2025	4.34	2.19	–	(7.05)
WuXi XDC Cayman Inc. (2268)	September 3, 2025	(4.00)	(2.87)	1.09	15.07
DL Holdings Group Limited (1709)	August 7, 2025	(11.94)	(12.98)	(16.78)	(11.51)
Tesson Holdings Limited (1201)	July 25, 2025	(16.67)	(19.09)	(11.66)	(6.25)
OSL Group Limited (863)	July 25, 2025	(15.34)	(16.18)	(3.47)	9.15
	Max	4.34	2.19	1.09	15.07
	Min	(34.21)	(20.00)	(22.79)	(23.54)
	Median	(15.34)	(16.18)	(14.22)	(6.25)
	Average	(13.74)	(12.62)	(11.96)	(3.78)
The Company (9858)	January 16, 2026	(8.84)	(17.89)	(15.21)	(3.37)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above:

- (a) the LTD Premium/Discount of the Comparable Transactions ranged from a discount of approximately 34.21% to a premium of approximately 4.34%, with average discount of approximately 13.74% and median discount of approximately 15.34%;
- (b) the 5 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 20.00% to a premium of approximately 2.19%, with average discount of approximately 12.62% and median discount of approximately 16.18%;
- (c) the 30 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 22.79% to a premium of approximately 1.09%, with average discount of approximately 11.96% and median discount of approximately 14.22%; and
- (d) the 60 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 23.54% to a premium of approximately 15.07%, with average discount of approximately 3.78% and median discount of approximately 6.25%.

Each of the LTD Discount, the 5 Days Discount, the 30 Days Discount and the 60 Days Discount represented by the Specific Mandate Subscription Price falls within the range of the Comparable Transactions. The LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions.

We have also conducted an exhaustive search based on the Criteria for comparable transactions conducted by companies listed on the Stock Exchange and engaged in the PRC raw milk industry. However, no comparable transactions were identified. Consequently, we expanded our search criteria to encompass all equity fundraising activities announced by companies listed on the Stock Exchange and engaged in the PRC raw milk industry during 2025. We only noted that AustAsia Group Ltd. (2425.HK) completed a rights issue on August 4, 2025. The LTD Discount, 5 Days Discount, 30 Days Discount and 60 Days Discount of such rights issue amounted to 29.11%, 29.11%, 21.42% and 12.60%, respectively, each of which is higher than the discount represented by the Specific Mandate Subscription Price. Given the nature of a rights issue differs from the Specific Mandate Subscription, such price discounts serve as a supplementary reference for the Independent Shareholders only and the Independent Shareholders should place greater emphasis on our other analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(v) Comparable companies

For the purpose of evaluating the Specific Mandate Subscription Price, we conducted a Bloomberg search for companies comparable to the Company that (a) are listed on the Main Board of the Stock Exchange; (b) derive more than 50% of their revenue from the sale of raw milk in the PRC; and (c) have a market capitalisation within the range of HK\$11.7 billion to HK\$21.7 billion (being approximately plus or minus 30% of the Company's market capitalisation of HK\$16.7 billion on the Last Trading Date, which we consider to be a reasonable range for comparison). Based on these criteria, we identified only one comparable company, namely China Modern Dairy Holdings Ltd. Given the insufficient sample size, we consider a comparison with peer companies to be immaterial for analytical purposes.

(vi) Overall comments

Having considered that:

- (a) the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and
- (b) the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions,

we are of the view that the Specific Mandate Subscription Price is fair and reasonable.

6. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed "Effects on shareholding structure of the Company" of the Letter from the Board, immediately following the completion of the Specific Mandate Subscription, the shareholding interests of the existing public Shareholders in the Company would be diluted from 61.35% to 57.27%. Nonetheless, in view of (i) the reasons for and the benefits of the Specific Mandate Subscription, which is an appropriate fund-raising method currently available to the Company; and (ii) the Specific Mandate Subscription (including the Specific Mandate Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

7. Whitewash Waiver

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the date of the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

Completion of the Specific Mandate Subscription is conditional upon the granting of the Whitewash Waiver. Having taken into consideration (i) the reasons for and benefits of the Specific Mandate Subscription as discussed in the section headed “3. Reasons for and benefits of the Specific Mandate Subscription”; (ii) that the Specific Mandate Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Specific Mandate Subscription would not proceed if the Whitewash Waiver is not granted or approved or is invalidated, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- Continuing the downward trend of recent years, the average price of raw milk in China's major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company's short-term outlook to remain uncertain;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- The Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development;
- Debt financing will increase the Company's financial burden and may be subject to lengthy due diligence and negotiations with lenders, while there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required;
- The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. The Company has completed the Placing and the Top-up Subscription. The Specific Mandate Subscription was negotiated contemporaneously and priced at the same price of HK\$3.92 per Share to maintain consistency across the Company's capital raising exercises and to avoid differential treatment;
- While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimise its capital structure, and enhance its risk-resistance capabilities;
- The Specific Mandate Subscription Price is fair and reasonable after considering the following:
 - the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions. The Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions.

Based on the above, we consider that the Specific Mandate Subscription is on normal commercial terms, and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Specific Mandate Subscription and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

(A) SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following summary of financial information for each of the years ended December 31, 2023, 2024 and 2025 as extracted from the consolidated financial statements of the Company as set forth in the 2023, 2024 and 2025 annual reports of the Company.

	For the year ended December 31,		
	2023	2024	2025
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Revenue	18,693,896	20,096,160	20,653,706
Cost of sales	(17,499,357)	(18,782,079)	(19,520,335)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	3,275,246	4,468,909	5,020,326
Gross profit	4,469,785	5,782,990	6,153,697
Losses arising from changes in fair value less costs to sell of biological assets	(3,613,271)	(3,921,360)	(4,311,969)
Other income	453,821	549,370	429,167
Impairment losses under expected credit loss model, net of reversal	(6,629)	(24,473)	(45,630)
Impairment loss recognised in respect of goodwill	(120,966)	–	–
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	(7,879)	(512,850)	(48,141)
Other gains and losses	143,430	(102,152)	1,860
Selling and distribution expenses	(619,566)	(632,290)	(638,155)
Administrative expenses	(778,154)	(806,677)	(854,553)
Other expenses	(70,383)	(122,881)	(166,374)
Share of loss of a joint venture	(541)	(989)	(1,416)
Share of losses of associates	(126,559)	(79,666)	(78,407)
Finance costs	(1,082,592)	(903,487)	(817,814)
Loss before tax	(1,359,504)	(774,465)	(377,735)
Income tax expense	(93,388)	(87,022)	(57,567)
Loss for the year	(1,452,892)	(861,487)	(435,302)

	For the year ended December 31,		
	2023	2024	2025
	(audited)	(audited)	(audited)
	RMB'000	RMB'000	RMB'000
Other comprehensive income/(expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value gain/(loss) on investments in equity instruments at fair value through other comprehensive income, net of related income tax	6,236	(5,528)	3,926
Exchange differences arising on translation from functional currency to presentation currency	298,805	207,803	(302,446)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(363,985)	(277,322)	415,896
Other comprehensive income/(expense) for the year, net of income tax	(58,944)	(75,047)	117,376
Total comprehensive expense for the year	<u>(1,511,836)</u>	<u>(936,534)</u>	<u>(317,926)</u>
Loss for the year attributable to:			
Owners of the Company	(1,049,980)	(690,890)	(432,386)
Non-controlling interests	(402,912)	(170,597)	(2,916)
	<u>(1,452,892)</u>	<u>(861,487)</u>	<u>(435,302)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company	(1,111,555)	(764,488)	(315,080)
Non-controlling interests	(400,281)	(172,046)	(2,846)
	<u>(1,511,836)</u>	<u>(936,534)</u>	<u>(317,926)</u>
	RMB	RMB	RMB
Loss per share			
Basic	(0.28)	(0.18)	(0.11)
Diluted	<u>(0.28)</u>	<u>(0.18)</u>	<u>(0.11)</u>

Save as disclosed above, the Group had no other material items of income or expense for the years ended December 31, 2023, 2024 and 2025.

The auditors of the Company for the years ended December 31, 2023, 2024 and 2025 were Deloitte Touche Tohmatsu. No modified opinion, emphasis of matter or material uncertainty related to going concern was given by the auditors of the Group in respect of the Group's audited consolidated financial statements for the three years ended December 31, 2023, 2024 and 2025.

There was no change in the Group's accounting policy during the three years ended December 31, 2023, 2024 and 2025 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

The financial information of the Group for the years ended December 31, 2023, 2024 and 2025 are disclosed in the annual reports of the Company for the years ended December 31, 2023, 2024 and 2025, which have been published on the websites of the Company (www.yourandairy.com) and the Stock Exchange (www.hkexnews.hk) as follows and are incorporated by reference into this circular:

- (i) from pages 98 to 201 of the annual report of the Company for the year ended December 31, 2023 published on April 25, 2024, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042503199.pdf>
- (ii) from pages 93 to 195 of the annual report of the Company for the year ended December 31, 2024 published on April 25, 2025, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0425/2025042503263.pdf>
- (iii) from pages 80 to 183 of the annual report of the Company for the year ended December 31, 2025 published on April 24, 2026, which can be accessed via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0424/2026042402570.pdf>

(B) INDEBTEDNESS

As at March 31, 2026, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this circular, apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other bank overdrafts, loans, debt securities or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities.

(C) NO MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to December 31, 2025, being the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

(D) FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead, the Group will deeply leverage national policy benefits and development opportunities in consumption promotion, steadfastly implement the established strategic direction, and continuously advance the execution of its core strategic initiatives. With innovation as the core engine for high-quality development, the Group will fully integrate digital technologies and lean management models to inject robust momentum across the entire business chain. By fully unleashing the advantages of platform resource integration, synergistic effects of the full industrial chain, and the potential of its high-caliber talent team, the Group will remain anchored to the path of green and sustainable development while intensifying its focus on core business segments. The Group aims to build a more resilient core competitiveness, consistently enhance operational efficiency and resource allocation capabilities, and steadily expand revenue and profit growth opportunities.

The following is the text of a letter and summary disclosure of values, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at January 31, 2026 of the property interests held by the Group. As described in the section headed “(P) Documents on Display” in Appendix III, a copy of the full property valuation report of the Group is available for public inspection.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road, Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

The Board of Directors
China Youran Dairy Group Limited
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

30 April 2026

Dear Sirs,

In accordance with your instructions to value the property interests held by **China Youran Dairy Group Limited** (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 January 2026 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued property nos. 5-2, 5-3 and 8-2 in Group I which are held and occupied by the Group in the PRC by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Due to the nature of the buildings and structures of the remaining properties in Group I, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interests in Group II which are held under development by the Group (comprising property no. 92 and portions of property nos. 102, 122 and 123), we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the property interest in Group III which is property interest to be acquired by the Group, the Group has entered into State-owned Land Grant Contract of the property with the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificate as at the valuation date, we have attributed no commercial value to property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with the requirements contained in Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and Building Ownership Certificates and other official documents relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the legal opinion dated 23 April 2026 given by the Company's PRC Legal Advisor – Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects is satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in March 2026 by 9 technical staff including Arnold Gao, Evelyn Xu, Joan Zhu, Peiling Cai, Queena Qiao, Landy Wu, Angela Wu, Sarah Zhang and Stone Chen. They are either Chartered Surveyor, China Land Valuer, China Real Estate Appraiser or have more than 3 years' experience in the valuation of properties.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note “Sustainability and ESG in commercial property valuation and strategic advice (3rd Edition).”

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

As at the valuation date, unless otherwise stated, the monetary figures stated in our valuations are in Renminbi (“RMB”) in respect of all the properties. The exchange rate adopted in our valuation is Hong Kong Dollar (“HKD”) 1 = RMB0.8926.

The potential tax liabilities that would arise on the disposal of the property interests in the PRC mainly comprise value-added tax at the standard rate of 9% (or 5% under the simplified taxation method), stamp duty at the rate of 0.05% of the contract price, land appreciation tax at progressive rates ranging from 30% to 60% on the appreciated amount (being the proceeds of sales of the property less deductible expenditure including costs of land, development and construction), and enterprise income tax at the rate of 25% on the gain (which may be reduced to 15% where preferential tax treatment applies). The actual tax rates and liabilities upon disposal will be subject to confirmation by the relevant tax authorities.

Except for portions of property No. 92 which are scheduled to be disposed of in the future, in respect of the remaining properties held and occupied or under construction by the Group for dairy farm, feed production, forage grass plantation, office and ancillary purposes, considering the Group’s nature of business in agriculture, forestry, animal husbandry, and fishery, the likelihood of the relevant tax liabilities crystallizing is remote as the Group has no plans for the disposal of such properties yet.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MHKIS, MRICS, R.P.S.(GP)
Senior Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 32 years' experience in the valuation of various sectors of the property industry in Hong Kong and experience in the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY DISCLOSURE OF PROPERTY VALUATION

Abbreviation:

GFA: Gross Floor Area “—”: Not Applicable or not available

NCV: No commercial value

We listed all relevant companies and the equity interests as below:

Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
內蒙古伊禾綠錦農業發展有限公司	Inner Mongolia Yihelvjin Agricultural Development Co., Ltd.	100%
內蒙古牧泉元興飼料有限責任公司	Inner Mongolia Muquan Yuanxing Feed Co., Ltd.	100%
巴彥淖爾市牧泉元興飼料有限責任公司	Bayan Naur Muquan Yuanxing Feed Co., Ltd.	100%
烏蘭察布市牧泉元興飼料有限責任公司	Ulanqab Muquan Yuanxing Feed Co., Ltd.	100%
寧夏伊康元生物科技有限公司	Ningxia Yikangyuan Biotechnology Co., Ltd.	100%
大慶牧泉元興生物科技有限責任公司	Daqing Muquan Yuanxing Biotechnology Co., Ltd.	100%
杜爾伯特牧泉元興飼料有限責任公司	Dorbod Muquan Yuanxing Feed Co., Ltd.	100%
河北牧泉元興生物科技有限責任公司	Hebei Muquan Yuanxing Biotechnology Co., Ltd.	100%
山東牧泉元興生物科技有限責任公司	Shandong Muquan Yuanxing Biotechnology Co., Ltd.	100%
內蒙古優然牧業有限責任公司	Inner Mongolia Youran Husbandry Co., Ltd.	100%
合肥優然牧業有限責任公司	Hefei Youran Husbandry Co., Ltd.	100%
吳忠優然牧業有限責任公司	Wuzhong Youran Husbandry Co., Ltd.	100%
達拉特旗優然牧業有限責任公司	Dalad Banner Youran Husbandry Co., Ltd.	100%
杜爾伯特蒙古族自治縣中都畜牧有限責任公司	Dorbod Mongol Autonomous County Zhongdu Husbandry Co., Ltd.	100%
濟南優然牧業有限責任公司	Jinan Youran Husbandry Co., Ltd.	100%
阜新優然牧業有限責任公司	Fuxin Youran Husbandry Co., Ltd.	100%
黃岡優然牧業有限責任公司	Huanggang Youran Husbandry Co., Ltd.	100%
成都優然牧業有限責任公司	Chengdu Youran Husbandry Co., Ltd.	100%
南京優然牧業有限責任公司	Nanjing Youran Husbandry Co., Ltd.	100%
內蒙古優然牧業有限責任公司托克托縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Tuoketuo County Branch	100%
內蒙古優然牧業有限責任公司清水河縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Qingshuihe County Branch	100%
內蒙古優然牧業有限責任公司武川縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Wuchuan County Branch	100%
黃岡優然牧業有限責任公司武穴分公司	Huanggang Youran Animal Husbandry Co., Ltd. Wuxue Branch	100%
銅川優然牧業有限責任公司	Tongchuan Youran Husbandry Co., Ltd.	100%
錫林浩特市優然牧業有限責任公司	Xilinhot Youran Husbandry Co., Ltd.	100%
林甸優然牧業有限責任公司	Lindian Youran Husbandry Co., Ltd.	100%
呼倫貝爾優然牧業示範牧場有限責任公司	Hulunbuir Youran Husbandry Model Farm Co., Ltd.	100%
平頂山優然牧業有限責任公司	Pingdingshan Youran Husbandry Co., Ltd.	100%
武威市優然牧業有限責任公司	Wuwei Youran Husbandry Co., Ltd.	100%

Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
興安盟優然牧業有限責任公司	Xing'anmeng Youran Husbandry Co., Ltd.	100%
通遼優然牧業有限責任公司	Tongliao Youran Husbandry Co., Ltd.	100%
駐馬店優然牧業有限責任公司	Zhumadian Youran Husbandry Co., Ltd.	100%
呼和浩特市優然牧業有限責任公司	Hohhot Youran Husbandry Co., Ltd.	100%
呼和浩特市金河優然牧業有限責任公司	Hohhot Jinhe Youran Husbandry Co., Ltd.	100%
洛陽優然牧業有限責任公司	Luoyang Youran Husbandry Co., Ltd.	100%
合肥元興牧業有限責任公司	Hefei Yuanxing Animal Husbandry Co., Ltd.	100%
濰坊優然牧業有限責任公司	Weifang Youran Husbandry Co., Ltd.	100%
壽光優然牧業有限責任公司	Shouguang Youran Husbandry Co., Ltd.	100%
開魯優然牧業有限責任公司	Kailu Youran Husbandry Co., Ltd.	100%
聊城優然牧業有限責任公司	Liaocheng Youran Husbandry Co., Ltd.	100%
雲南優然牧業有限責任公司	Yunnan Youran Husbandry Co., Ltd.	100%
昌吉優然牧業有限責任公司	Changji Youran Husbandry Co., Ltd.	100%
昌邑優然牧業有限責任公司	Changyi Youran Husbandry Co., Ltd.	100%
山西優然牧業有限責任公司	Shanxi Youran Husbandry Co., Ltd.	100%
寒亭優然牧業有限責任公司	Hanting Youran Husbandry Co., Ltd.	100%
平涼優然牧業有限責任公司	Pingliang Youran Husbandry Co., Ltd.	100%
清水河優然牧業有限責任公司	Qingshui River Youran Husbandry Co., Ltd.	100%
唐山優然牧業有限責任公司	Tangshan Youran Husbandry Co., Ltd.	100%
安達市優然牧業有限責任公司	Anda Youran Animal Husbandry Co., Ltd.	100%
獻縣優然牧業有限責任公司	Xianxian Youran Husbandry Co., Ltd.	100%
托克托縣優然牧業有限責任公司	Tuoketuoxian Youran Husbandry Co., Ltd.	100%
山西優然天合牧業有限責任公司	Shanxi Youran-Tianhe Husbandry Co., Ltd.	100%
肇東市長青畜牧有限公司	Zhaodong Changqing Husbandry Co., Ltd.	100%
張北中都畜牧有限責任公司	Zhangbei Zhongdu Husbandry Co., Ltd.	100%
內蒙古敕勒川旅遊文化有限公司	Inner Mongolia Chilechuan Tourism and Culture Co., Ltd.	100%
內蒙古優創實業有限責任公司	Inner Mongolia Youchuang Industrial Co., Ltd.	100%
咸陽優然智慧牧業有限責任公司	Xianyang Youran Smart Animal Husbandry Co., Ltd.	100%
內蒙古犇騰牧業有限公司	Inner Mongolia Best Holsteins Co., Ltd.	66.86%
內蒙古賽科星牧業有限公司	Inner Mongolia Saikexing Animal Husbandry Co., Ltd.	66.86%
清水河賽科星牧業有限責任公司	Qingshuihe Saikexing Animal Husbandry Co., Ltd.	66.86%
鄂爾多斯市賽科星養殖有限責任公司	Ordos Saikexing Breeding Co., Ltd.	66.86%
達拉特旗賽優牧業有限公司	Dalad Banner Saiyou Animal Husbandry Co., Ltd.	66.86%
鄂托克旗賽優牧業有限公司	Otog Banner Saiyou Animal Husbandry Co., Ltd.	66.86%
巴彥淖爾賽科星牧業有限責任公司	Bayannur Saikexing Animal Husbandry Co., Ltd.	66.86%
寧夏賽科星養殖有限責任公司	Ningxia Saikexing Breeding Co., Ltd.	66.86%
河北犇放牧業有限公司	Hebei Benfang Animal Husbandry Co., Ltd.	66.86%
武強賽優牧業有限公司	Wuqiang Saiyou Animal Husbandry Co., Ltd.	66.86%
滄州賽科星牧業有限公司	Cangzhou Saikexing Animal Husbandry Co., Ltd.	66.86%
定州市賽科星伊人牧業有限公司	Dingzhou Saikexing Iren Animal Husbandry Co., Ltd.	66.86%
北京海華雲都生態農業有限公司	Beijing Haihua Yundu Ecological Agriculture Co., Ltd.	66.86%
承德賽優牧業有限公司	Chengde Saiyou Animal Husbandry Co., Ltd.	66.86%
華夏畜牧興化有限公司	Huaxia Animal Husbandry Xinghua Co., Ltd.	66.86%

Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
尋甸賽優牧業有限公司	Xundian Saiyou Animal Husbandry Co., Ltd.	66.86%
呼倫貝爾市賽優牧業有限公司	Hulunbuir Saiyou Animal Husbandry Co., Ltd.	66.86%
呼倫貝爾賽科星牧業有限責任公司	Hulunbuir Saikexing Animal Husbandry Co., Ltd.	66.86%
內蒙古賽科星繁育生物技術(集團)股份有限公司	Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd.	66.86%
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 Saikexing Livestock Seed Industry and Breeding Biotechnology Research Institute Co., Ltd.	66.86%
內蒙古賽科星肉牛良種繁育有限公司	Inner Mongolia Saikexing Beef Cattle Elite Breeding Co., Ltd.	66.86%
濟源市賽科星牧業有限公司	Jiyuan Saikexing Animal Husbandry Co., Ltd.	66.86%

The valuation summary and major parameters in the valuation of each property from the full valuation report are listed below. In the course of our valuation, we have relied on the information provided by the Group and, where required, its legal advisers regarding the title to the properties and, based on the information provided by the Group and the opinion of its legal advisers, properties with assigned commercial values in this Appendix have proper legal title.

Property Group	Property No.	Market value attributable to the Group as at 31 January 2026 RMB
Group I — Property interests held and occupied by the Group in the PRC	Nos. 1 to 4, 5-2, 5-3, 6, 7, 8-1, 8-2, 9 to 91, 93 to 101 and 103 to 121, portions of nos. 5-1, 102, 122 and 123	609,551,000 (Refer to the notes 2, 3 and 4)
Group II — Property interests held and under construction by the Group in the PRC	No. 92, portions of nos. 102, 122 and 123	88,164,000 (Refer to the note 5)
Group III — Property interest contracted to be acquired by the Group in the PRC	Portions of no. 5-1	No commercial value (Refer to the note 6)
Total:		697,715,000 (Equivalent to approximately HKD781,663,000)

Notes:

1. The exchange rate adopted in our valuation is HKD1=RMB0.8926 which was the middle rate published by the Bank of China as at the valuation date.
2. For the portion of the Group's assets of which land use rights and building ownership certificates have been obtained in Group I, we have provided our opinion of the market value for them (including land, buildings and structures erected on the land). For the portion of the Group's assets of which building ownership certificates have not been obtained and/or in leased land nature in Group I, we have attributed no commercial value to them. However, for reference purposes, we have provided our opinion of the depreciated replacement cost of such assets (including buildings and structures).
3. Due to the lack of proper building title certificates, we have relied on the legal opinion and attributed no commercial value to several buildings of properties nos. 2, 3, 4, 7, 8-1, 33, 58, 60, 62, 72 and 117 in Group I, which were constructed by the Group on its own land. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the valuation date would be RMB130,232,000 (Equivalent to approximately HKD145,902,000).
4. We have attributed no commercial value to property nos. 1, 10 to 32, 34 to 49, 52, 53, 55 to 57, 59, 61, 63 to 71, 73 to 91, 93 to 99, 101 to 104, 106 to 116, 122 and 123, portions of property nos. 33, 50, 51, 54, 58, 60, 62, 72, 100, 105, 117, 118, 120 and 121 in Group I due to the leased land nature. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the buildings and the structures of these properties as at the valuation date would be RMB14,324,377,000 (Equivalent to approximately HKD16,047,923,000).
5. For property no. 92, the Group has obtained the Land Use Rights Certificate and relevant construction approvals and therefore we have provided our opinion of its market value. We have attributed no commercial value to portions of property nos. 102, 122 and 123 in Group II due to the leased land nature of the properties. For reference purposes, we are of the opinion that the replacement cost of these buildings and structures under construction of the properties would be RMB5,344,000 (Equivalent to approximately HKD5,988,000).
6. We have attributed no commercial value to a parcel of land of property no. 5-1 in Group III as the State-owned Land Use Rights Certificate has not yet been obtained as at the valuation date. For reference purposes, we are of the opinion that the market value of this parcel of land as at the valuation date would be RMB5,566,000 (Equivalent to approximately HKD6,236,000).

Group I — Property interests held and occupied by the Group in the PRC

Remark

- The valuation in the “Market Value” column is provided for the portion of the Group’s assets of which land use rights and building ownership certificates have been obtained, including land, buildings, and structures erected on the land.
- The monetary figure in the “Depreciated Replacement Cost” column is provided for buildings and structures of which building ownership certificates have not been obtained and/or in leased land nature.

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
1	Inner Mongolia Yife Livjin 内蒙古伊飞绿锦	Inner Mongolia Yife Livjin Yihelvjia Agricultural Development Co., Ltd.	Chifeng City, Inner Mongolia Autonomous Region	- -	-	27,278.91	office building, dormitory building, hay barns and ancillary buildings	boundary walls, roads, drainage ditch and water well	2015 to 2017	24,831,604.16	NCV	NCV	27,005,000
2	Inner Mongolia Muqan Yuanxing 内蒙古牧泉元興	Inner Mongolia Muqan Yuanxing Feed Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	2053-11-04	91,102.60	24,029.13	office building, warehouse, production workshops, dormitory building and ancillary buildings	roads, pipelines, boundary walls & fences, ancillary structure	2000 to 2017	-	42,646,000	42,646,000	837,000
3	Bayannur Muqan Yuanxing 巴彦淖爾牧泉元興	Bayan Naur Muqan Yuanxing Feed Co., Ltd.	Bayannur City, Inner Mongolia Autonomous Region	2057-10-20	60,445.59	7,502.68	office building, warehouse, production workshop, and ancillary buildings	roads, pipelines, boundary walls & fences, pools, canopy, flag mast	2007 to 2021	-	20,821,000	20,821,000	581,000
4	Ulanqab Muqan Yuanxing 烏蘭察布牧泉元興	Ulanqab Muqan Yuanxing Feed Co., Ltd.	Ulanqab City, Inner Mongolia Autonomous Region	2056-12-30	63,577.10	19,630.21	office building, warehouse, production workshop, and ancillary buildings	roads, boundary walls & fences, pools, ancillary structure	2009 to 2023	-	37,475,000	37,475,000	3,044,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
5-1	Ningxia Yikangyuan 寧夏伊康元	Ningxia Yikangyuan Biotechnology Co., Ltd.	Wuzhong City, Ningxia Hui Autonomous Region	45,314.90	2065-10-31	15,598.44	composite building, warehouse, production workshop, and ancillary buildings	grain silos, roads, pipelines, canopy, chimney, flag mast buildings	2018	-	54,075,000	54,075,000	-
5-2	Tianyi Fortune Plaza 天一財富廣場	Ningxia Yikangyuan Biotechnology Co., Ltd.	Wuwei City, Gansu Province	-	2036-07-08	85.74	Commercial	-	2016	-	583,000	583,000	-
5-3	Xingchen • Xinglewan 星辰•星河灣	Ningxia Yikangyuan Biotechnology Co., Ltd.	Wuwei City, Gansu Province	-	2087-11-29	129.40	Residential	-	2017	-	728,000	728,000	-
6	Daqing Muquan Yuanxing 大慶牧場元興	Daqing Muquan Yuanxing Biotechnology Co., Ltd.	Daqing City, Heilongjiang Province	61,052.00	2070-05-30	14,184.72	office building, laboratory, production workshop	storage facility, roads, pipelines, boundary walls & fences, gas supply facility, ancillary structure	2022	-	67,065,000	67,065,000	-
7	Duerbot Muquan Yuanxing 杜爾伯特牧場元興	Dorbot Muquan Yuanxing Feed Co., Ltd.	Daqing City, Heilongjiang Province	34,500.00	2052-04-25	8,158.13	office building, laboratory, production workshop	grain silos, roads, pipelines, boundary walls & fences, pools, ancillary structure	2004 to 2025	-	11,437,000	11,437,000	4,440,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
8-1	Hebei Muquan Yuanxing 河北牧泉元興	Hebei Muquan Yuanxing Biotechnology Co., Ltd.	Dingzhou City, Hebei Province	33,333.34	2071-09-01	23,447.11	composite building, production workshop, canteen	roads, boundary walls & fences	2024	-	17,899,000	17,899,000	66,099,000
8-2	Oriental Jiayuan 東方嘉苑	Hebei Muquan Yuanxing Biotechnology Co., Ltd.	Tangshan City, Hebei Province	-	2084-12-17	258.15	Residential	-	2019	-	1,123,000	1,123,000	-
9	Shandong Muquan Yuanxing 山東牧泉元興	Shandong Muquan Yuanxing Biotechnology Co., Ltd.	Jinan City, Shandong Province	66,747.00	2070-04-08	9,922.76	office building, warehouse, production workshop, and ancillary buildings	roads, boundary walls & fences, canopy, flag mast	2021	-	65,920,000	65,920,000	-
10	Gaoquanying 2000-Head Dairy Farm 高家營二千頭牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	763.49	composite building, power distribution room and guardhouse	cowsheds, hay sheds, concentrate towers, silage cellars and weighbridge	2014	214,227.74	NCV	NCV	19,512,000
11	Gaoquanying 1000-Head Dairy Farm 高家營千頭牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	749.84	composite building, power distribution room and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	78,667.06	NCV	NCV	6,810,000
12	Yaoliwan 1000-Head Dairy Farm 黑子灣千頭牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	749.84	office building, power distribution room and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2009	80,000.40	NCV	NCV	5,666,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
13	Lancan Dairy Farm 蘭察牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	749.84	composite building, power distribution room and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	80,000.40	NCV	NCV	5,226,000
14	Nashitu Dairy Farm 那什圖牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	503.80	office building, dormitory building and ancillary building	cowsheds, silage cellars, hay sheds, silage facility, concentrate towers and weighbridge	2011 to 2015	500,002.50	NCV	NCV	31,758,000
15	Yushigesi Dairy Farm 雨樹格賽牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	530.54	composite building, power distribution room and ancillary building	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	80,000.40	NCV	NCV	5,151,000
16	Shaliang Dairy Farm 沙梁牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	4,893.14	office building, power distribution room and ancillary building	cowsheds, hay sheds, silage cellars, concentrate towers and composting area	2014	505,335.86	NCV	NCV	69,782,000
17	Dongjiaying Dairy Farm 董家營牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	755.72	composite building, power distribution room and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	80,000.40	NCV	NCV	5,061,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
18	Tuzuo Demonstration Dairy Farm 土左云奶牛场	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	3,498.56	office building, dormitory building and canteen	cowsheds, hay sheds, silage facility, concentrate store and concentrate towers	2008 to 2010	1,135,339.00	NCV	NCV	86,297,000
19	Dadai Dairy Farm 大岱牧场	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	648.77	composite building and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	67,333.67	NCV	NCV	7,465,000
20	Hashatu Dairy Farm 哈沙图牧场	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	1,438.00	composite building, ancillary building and guardhouse	cowsheds, hay sheds, concentrate store, silage cellars and silage facility	2011 to 2017	200,001.00	NCV	NCV	31,256,000
21	Maheli Dairy Farm 麻合里牧场	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	180.00	composite building, power distribution room and guardhouse	cowsheds, hay sheds, silage cellars, concentrate towers and concentrate store	2010	80,000.40	NCV	NCV	9,572,000
22	Jiajiaying Dairy Farm 贾家营牧场	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	567.00	composite building, power distribution room and guardhouse	cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility	2010	80,000.40	NCV	NCV	4,566,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
23	Dayang Dairy Farm 大陽牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	4,598.00	composite building, ancillary building and guardhouse	cowsheds, silage facility, hay sheds, silage cellars and weighbridge	2011 to 2019	300,001.50	NCV	NCV	43,897,000
24	Ershijia Dairy Farm 二十家牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	3,529.37	office building, dormitory building and canteen	cowsheds, silage facility, hay sheds, silage cellars and composting area	2013	595,229.63	NCV	NCV	76,072,000
25	Pailouban Dairy Farm 牌樓板牧場	Inner Mongolia Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	749.84	composite building, power distribution room and guardhouse	cowsheds, hay sheds, silage cellars, concentrate towers and concentrate store	2010	79,667.07	NCV	NCV	5,211,000
26	Chenliu Dairy Farm 陳劉牧場	Hefei Youran Husbandry Co., Ltd.	Hefei City, Anhui Province	-	-	1,475.06	milking parlour, composite building and laboratory	cowsheds, concentrate store, silage facility, hay sheds, silage cellars and fermentation facility	2011 to 2019	280,001.40	NCV	NCV	28,588,000
27	Songgang Dairy Farm 宋岡牧場	Hefei Youran Husbandry Co., Ltd.	Hefei City, Anhui Province	-	-	2,098.00	composite building, production building and ancillary building	cowsheds, concentrate store, silage facility, hay sheds and silage cellars	2011 to 2020	326,971.00	NCV	NCV	32,134,000
28	Wuzhong Dairy Farm 吳忠牧場	Wuzhong Youran Husbandry Co., Ltd.	Wuzhong City, Ningxia Hui Autonomous Region	-	-	2,983.00	office building, dormitory building and boiler room	cowsheds, silage cellars, hay sheds, silage facility and concentrate store	2013 to 2020	466,669.00	NCV	NCV	119,359,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
29	Dalate Fengshuiliang Dairy Farm 達拉溫水梁牧場	Dalad Banner Youzan Husbandry Co., Ltd.	Ordos City, Inner Mongolia Autonomous Region	-	-	5,097.07	composite building, power distribution room and ancillary building	cowsheds, silage cellars, hay sheds, concentrate store and silage facility	2015 to 2023	2,000,000.00	NCV	NCV	106,275,000
30	Haojia Dairy Farm 郝家牧場	Dalad Banner Youzan Husbandry Co., Ltd.	Ordos City, Inner Mongolia Autonomous Region	-	-	2,890.00	laboratory, ancillary building and guardhouse	cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility	2017	3,306,000.00	NCV	NCV	80,384,000
31	Dumeng Yixin Dairy Farm 杜蒙一心牧場	Dorbod Mongol Autonomous County Zhongdu Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	-	-	9,025.58	composite building, boiler room and ancillary building	cowsheds, hay sheds, fire protection facility, pools and yards	2015 to 2025	800,000.00	NCV	NCV	62,752,000
32	Shandong Jinan Dairy Farm 山東濟南牧場	Jinan Youzan Husbandry Co., Ltd.	Jinan City, Shandong Province	-	-	14,320.81	milking parlour, office building and boiler room	cowsheds, silage cellars, hay sheds, concentrate store, silage facility and pools	2019 to 2022	1,145,619.05	NCV	NCV	191,403,000
33	Liaoning Fuxin Dairy Farm 遼寧阜新牧場	Fuxin Youzan Husbandry Co., Ltd.	Fuxin City, Liaoning Province	12,741.00	2073-10-18	10,215.00	milking parlour, laboratory and boiler room	cowsheds, hay sheds, concentrate store, silage cellars, fire protection facility and pools	2019 to 2020	1,232,226.16	1,720,000	1,720,000	187,700,000
34	Huanggang Macheng Dairy Farm 黃岡麻城牧場	Huanggang Youzan Husbandry Co., Ltd.	Huanggang City, Hubei Province	-	-	3,900.20	office building, dormitory building and canteen	cowsheds, hay sheds, silage cellars, silage facility and concentrate store	2011 to 2026	25,333.46	NCV	NCV	65,033,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
35	Qionglai Yangba Dairy Farm 简阳杨坝牧场	Chengdu Youran Husbandry Co., Ltd.	Chengdu City, Sichuan Province	-	-	1,395.47	composite building, ancillary building and guardhouse	cowsheds, hay sheds, silage cellars, concentrate store, pools and fire protection facility	2010 to 2018	101,933.34	NCV	NCV	12,583,000
36	Yushu Dairy Farm 榆树牧场	Chengdu Youran Husbandry Co., Ltd.	Chengdu City, Sichuan Province	-	-	1,737.14	office building, veterinary room and dormitory building	cowsheds, silage cellars, silage facility, hay sheds and concentrate store	2011 to 2013	239,000.01	NCV	NCV	20,606,000
37	Nanjing Jinxi Dairy Farm 南京金熙牧场	Nanjing Youran Husbandry Co., Ltd.	Nanjing City, Jiangsu Province	-	-	3,536.60	milking parlour, office building and laboratory	cowsheds, concentrate store, hay sheds, silage facility and silage cellars	2012 to 2021	855,204.14	NCV	NCV	25,701,000
38	Dabeiyao Dairy Farm 大北亚牧场	Inner Mongolia Youran Animal Husbandry Co., Ltd. Tuoketuo County Branch	Hohhot City, Inner Mongolia Autonomous Region	-	-	2,545.82	composite building, production workshop and ancillary building	cowsheds, silage facility, silage cellars, hay sheds and composting area	2012 to 2020	4,225,760.00	NCV	NCV	47,563,000
39	Qingshuihe Dairy Farm 清水河牧场	Inner Mongolia Youran Animal Husbandry Co., Ltd. Qingshuihe County Branch	Hohhot City, Inner Mongolia Autonomous Region	-	-	11,887.90	milking parlour, office building and dormitory building	cowsheds, silage facility, hay sheds, silage cellars and concentrate store	2013 to 2021	1,195,245.98	NCV	NCV	95,422,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
40	Wuchuan Dairy Farm 武川牧場	Inner Mongolia Youran Animal Husbandry Co., Ltd. Wuchuan County Branch	Hohhot City, Inner Mongolia Autonomous Region	-	-	2,754.79	composite building, production workshop and ancillary building	cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility	2015 to 2019	370,860.00	NCV	NCV	69,160,000
41	Wuxue Dairy Farm 武穴牧場	Huanggang Youran Animal Husbandry Co., Ltd. Wuxue Branch	Huanggang City, Hubei Province	-	-	6,623.50	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, silage facility, concentrate store and pools	2012 to 2022	540,002.70	NCV	NCV	40,525,000
42	Tongchuan Dairy Farm 銅川牧場	Tongchuan Youran Husbandry Co., Ltd.	Tongchuan City, Shaanxi Province	-	-	7,063.00	milking parlour, composite building and boiler room	cowsheds, silage facility, hay sheds, silage cellars, concentrate store and pools	2014 to 2020	1,333,340.00	NCV	NCV	76,776,000
43	Xilingol Dairy Farm No.1 錫盟第一牧場	Xilinhot Youran Husbandry Co., Ltd.	Xilingol League, Inner Mongolia Autonomous Region	-	-	2,692.00	laboratory, dormitory building and production workshop	cowsheds, hay sheds, concentrate store, silage cellars and fire protection facility	2012 to 2021	1,333,340.00	NCV	NCV	40,677,000
44	Xilingol Dairy Farm No.2 錫盟第二牧場	Xilinhot Youran Husbandry Co., Ltd.	Xilingol League, Inner Mongolia Autonomous Region	-	-	3,973.04	office building, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and fire protection facility	2012 to 2021	1,333,340.00	NCV	NCV	49,403,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
45	Lindian Hongqi Dairy Farm 林甸红旗牧场	Lindian Youran Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	- -	-	4,363.00	composite building, boiler room and pump room	cowsheds, hay sheds, silage cellars, concentrate towers and silage facility	2014 to 2018	5,455,360.61	NCV	NCV	87,154,000
46	Lindian Huayuan Dairy Farm 林甸花园牧场	Lindian Youran Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	- -	-	3,720.03	composite building, boiler room and pump room	cowsheds, silage cellars, hay sheds, fermentation facility and pools	2015 to 2021	3,866,686.00	NCV	NCV	81,822,000
47	Lindian Sife Dairy Farm 林甸四合牧场	Lindian Youran Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	- -	-	3,836.93	composite building, boiler room and pump room	cowsheds, silage cellars, hay sheds, fermentation facility and boiler room	2015 to 2022	800,004.00	NCV	NCV	70,548,000
48	Lindian Yonghe Dairy Farm 林甸永合牧场	Lindian Youran Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	- -	-	18.00	ancillary building	silage facility and pools	2022	800,004.00	NCV	NCV	342,000
49	Lindian Demonstration Dairy Farm 林甸示范牧场	Lindian Youran Husbandry Co., Ltd.	Daqing City, Heilongjiang Province	- -	-	8,267.81	laboratory, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2023 to 2025	1,030,821.29	NCV	NCV	298,072,000
50	Linjiazhi Dairy Farm 六家子牧场	Hulunbair Youran Husbandry Model Farm Co., Ltd.	Hulunbair City, Inner Mongolia Autonomous Region	2061-5-27	6,634.00	19,885.84	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and pools	2021 to 2022	866,671.00	20,015,000	20,015,000	222,217,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
51	Najitun Dairy Farm 納吉屯牧場	Hulunbair Youran Husbandry Model Farm Co., Ltd.	Hulunbair City, Inner Mongolia Autonomous Region	8,640.00	2060-2-19	8,521.94	dormitory building, boiler room and power distribution room	cowsheds, silage cellars, hay sheds, concentrate store and silage facility	2019 to 2021	1,335,340.00	16,125,000	16,125,000	259,931,000
52	Xiangyangtun Dairy Farm 向陽屯牧場	Hulunbair Youran Husbandry Model Farm Co., Ltd.	Hulunbair City, Inner Mongolia Autonomous Region	-	-	221.76	ancillary building		2025	515,000.00	NCV	NCV	168,000
53	Pingdingshan Dairy Farm 平頂山牧場	Pingdingshan Youran Husbandry Co., Ltd.	Pingdingshan City, Henan Province	-	-	57,871.87	milking parlour, dormitory building and boiler room	cowsheds, silage cellars, hay sheds, silage facility and concentrate store	2020 to 2025	1,085,314.09	NCV	NCV	268,597,000
54	Wuwei Dairy Farm 武威牧場	Wuwei Youran Husbandry Co., Ltd.	Wuwei City, Gansu Province	10,062.20	2060-6-17	23,743.32	milking parlour, composite building and production building	cowsheds, silage cellars, hay sheds, concentrate store and pools	2021 to 2023	1,244,163.19	22,099,000	22,099,000	214,104,000
55	Xing'an League Dairy Farm 興安盟牧場	Xing'anmeng Youran Husbandry Co., Ltd.	Xing'an League, Inner Mongolia Autonomous Region	-	-	18,580.09	milking parlour, dormitory building and canteen	cowsheds, hay sheds, concentrate store, silage cellars, fermentation facility and weighbridge	2021 to 2022	1,365,367.49	NCV	NCV	213,647,000
56	Tongliao Dairy Farm 通遼牧場	Tongliao Youran Husbandry Co., Ltd.	Tongliao City, Inner Mongolia Autonomous Region	-	-	17,477.86	milking parlour, power distribution room and ancillary building	cowsheds, silage cellars, hay sheds, concentrate store and pools	2021 to 2022	1,194,356.97	NCV	NCV	253,784,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
57	Henan Zhumadian Dairy Farm 河南驻马店牧場	Zhumadian Youran Husbandry Co., Ltd.	Zhumadian City, Henan Province	- -	-	30,885.23	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store, pools and fire protection facility	2021 to 2024	1,885,053.33	NCV	NCV	514,586,000
58	Houshandai Dairy Farm 後寨牧場	Hohhot Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	2063-7-28	6,999.00	7,895.93	milking parlour, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2022 to 2023	909,322.08	2,653,000	2,653,000	234,292,000
59	Xiaolihao Dairy Farm 小里堡牧場	Hohhot Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	17,331.43	milking parlour, dormitory building and pump room	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2021 to 2023	395,928.65	NCV	NCV	329,873,000
60	Sha'erjing Dairy Farm 沙爾營牧場	Hohhot Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	2063-7-8	7,000.00	13,491.18	milking parlour, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2022	1,227,426.14	2,653,000	2,653,000	259,660,000
61	Sha'erjing Dairy Farm No.2 沙爾營第二牧場	Hohhot Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	17,532.90	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2023 to 2024	2,237,337.85	NCV	NCV	490,111,000
62	Jiemao Dairy Farm 鐵帽牧場	Hohhot Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	2063-7-28	7,000.00	6,833.10	milking parlour, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility	2021 to 2022	607,736.37	2,653,000	2,653,000	119,801,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
63	She'erying Dairy Farm No.3 沙爾營第三牧場	Hohhot Youzan Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	8,699.94	milking parlour, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility	2023	599,743.00	NCV	NCV	160,558,000
64	Jinhe Dairy Farm 金河牧場	Hohhot Jinhe Youzan Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	14,587.34	milking parlour, dormitory building and canteen	cowsheds, silage facility, hay sheds, concentrate store and silage cellars	2022	824,514.07	NCV	NCV	228,221,000
65	Henan Luoyang Dairy Farm 河南洛陽牧場	Luoyang Youzan Husbandry Co., Ltd.	Luoyang City, Henan Province	- -	-	9,241.54	milking parlour, composite building and dormitory building	cowsheds, concentrate store, hay sheds, silage cellars, weighbridge and pools	2023 to 2025	406,571.35	NCV	NCV	108,445,000
66	Hefei Yuanxing Dairy Farm 合肥元興牧場	Hefei Yuanxing Animal Husbandry Co., Ltd.	Hefei City, Anhui Province	- -	-	11,491.07	office building, dormitory building and canteen	cowsheds, concentrate store, silage cellars, hay sheds, fermentation facility and pools	2022 to 2023	314,001.57	NCV	NCV	115,165,000
67	Shandong Weifang Dairy Farm 山東濰坊牧場	Weifang Youzan Husbandry Co., Ltd.	Weifang City, Shandong Province	- -	-	29,256.20	milking parlour, composite building and dormitory building	cowsheds, silage cellars, concentrate store, hay sheds and silage facility	2021 to 2023	1,065,369.80	NCV	NCV	286,879,000
68	Shandong Shouguang Dairy Farm 山東壽光牧場	Shouguang Youzan Husbandry Co., Ltd.	Weifang City, Shandong Province	- -	-	23,669.66	milking parlour, composite building and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store, fire protection facility and pools	2021 to 2022	839,030.86	NCV	NCV	250,441,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
69	Kailu Dairy Farm 開魯牧場	Kailu Youran Husbandry Co., Ltd.	Tongliao City, Inner Mongolia Autonomous Region	- -	-	16,500.22	milking parlour, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and pools	2022 to 2023	1,195,246.67	NCV	NCV	231,001,000
70	Shandong Liaocheng Dairy Farm 山東聊城牧場	Liaocheng Youran Husbandry Co., Ltd.	Liaocheng City, Shandong Province	- -	-	15,785.01	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2023 to 2024	1,026,185.78	NCV	NCV	262,353,000
71	Yunnan Xundian Dairy Farm 雲南尋甸牧場	Yunnan Youran Husbandry Co., Ltd.	Kunming City, Yunnan Province	- -	-	15,772.76	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store, pools and fire protection facility	2026	517,354.83	NCV	NCV	149,444,000
72	Xinjiang Changji Dairy Farm 新疆昌吉牧場	Changji Youran Husbandry Co., Ltd.	Changji City, Xinjiang Uygur Autonomous Region	2062-6-5	9,000.00	12,173.00	office building, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2025	1,258,359.63	2,855,000	2,855,000	170,670,000
73	Shandong Changyi Dairy Farm 山東昌邑牧場	Changyi Youran Husbandry Co., Ltd.	Weifang City, Shandong Province	- -	-	32,526.28	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and pools	2023	1,165,400.00	NCV	NCV	413,663,000
74	Shanxi Qixian Dairy Farm 山西祁縣牧場	Shanxi Youran Husbandry Co., Ltd.	Jinzhou City, Shanxi Province	- -	-	9,138.53	milking parlour, composite building and dormitory building	cowsheds, silage cellars, concentrate store, hay sheds, fermentation facility and weighbridge	2022 to 2023	371,261.86	NCV	NCV	125,381,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
75	Shandong Hanting Dairy Farm 山東萊亭牧場	Hanting Youran Husbandry Co., Ltd.	Weifang City, Shandong Province	- -	-	23,093.63	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and pools	2022 to 2024	1,023,102.00	NCV	NCV	439,802,000
76	Pingliang Dairy Farm 平涼牧場	Pingliang Youran Husbandry Co., Ltd.	Pingliang City, Gansu Province	- -	-	6,134.00	office building, laboratory and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store, weighbridge and fermentation facility	2013 to 2023	666,030.00	NCV	NCV	187,597,000
77	Qingshuihe Organic Sheep Farm 清水河有機羊場	Qingshui River Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	2,722.66	office building, dormitory building and power distribution room	sheep sheds, silage cellars, hay sheds, concentrate store and weighbridge	2022 to 2023	683,430.08	NCV	NCV	127,811,000
78	Qingshuihe Dairy Goat Farm 清水河奶山羊牧場	Qingshui River Youran Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	3,376.44	dormitory building, canteen and power distribution room	sheep sheds, hay sheds, silage cellars, weighbridge and pools	2023	86,667.10	NCV	NCV	126,220,000
79	Yutian Dairy Farm No.1 玉田一牧	Tangshan Youran Husbandry Co., Ltd.	Tangshan City, Hebei Province	- -	-	7,897.44	office building, dormitory building and canteen	cowsheds, hay sheds, silage cellars, pools, sheds and monitoring wells	2011 to 2023	415,335.31	NCV	NCV	168,669,000
80	Yutian Dairy Farm No.2 玉田二牧	Tangshan Youran Husbandry Co., Ltd.	Tangshan City, Hebei Province	- -	-	5,426.67	office building, dormitory building and canteen	cowsheds, hay sheds, silage cellars, fire protection facility, pools and yards	2012 to 2023	691,452.01	NCV	NCV	124,480,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
81	Yutian Dairy Farm No.3 玉田三牧	Tangshan Youan Husbandry Co., Ltd.	Tangshan City, Hebei Province	-	-	10,733.77	milking parlour, office building and laboratory	cowsheds, hay sheds, silage cellars, pools, pump room and fire protection facility	2014 to 2023	2,696,634.05	NCV	NCV	287,916,000
82	Anda Dairy Farm No.1 安達一牧	Anda Youan Animal Husbandry Co., Ltd.	Suihua City, Heilongjiang Province	-	-	3,456.24	office building, dormitory building and boiler room	cowsheds, silage cellars, separation room, pools and monitoring wells	2018 to 2025	413,739.48	NCV	NCV	34,680,000
83	Anda Dairy Farm No.2 安達二牧	Anda Youan Animal Husbandry Co., Ltd.	Suihua City, Heilongjiang Province	-	-	3,817.00	office building, boiler room and power distribution room	cowsheds, silage cellars, pools, separation room and monitoring wells	2019 to 2024	387,749.20	NCV	NCV	56,545,000
84	Xianxian Dairy Farm 縣縣牧場	Xianxian Youan Husbandry Co., Ltd.	Cangzhou City, Hebei Province	-	-	23,280.73	milking parlour, composite building and dormitory building	cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility	2024 to 2025	2,768,261.18	NCV	NCV	283,325,000
85	Tuoketuo Cucheng Dairy Farm 托縣古城牧場	Tuoketuo Xian Youan Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	21,524.54	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, concentrate store and weighbridge	2023 to 2024	992,496.00	NCV	NCV	250,893,000
86	Shuibian Dairy Farm 水邊牧場	Shanxi Youan-Tianhe Husbandry Co., Ltd.	Shaozhou City, Shanxi Province	-	-	10,913.10	milking parlour, office building and dormitory building	cowsheds, hay sheds, silage cellars, concentrate store, silage facility and pump room	2015 to 2019	423,160.00	NCV	NCV	155,481,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
87	Niuling Dairy Farm 牛鈴牧場	Shanxi You'an-Tianhe Husbandry Co., Ltd.	Shuozhou City, Shanxi Province	-	-	9,693.38	office building, dormitory building and production workshop	cowsheds, silage cellars, hay sheds, concentrate store and pump room	2014 to 2025	917,000.00	NCV	NCV	287,890,000
88	Sunshine Dairy Farm 陽光牧場	Shanxi You'an-Tianhe Husbandry Co., Ltd.	Shuozhou City, Shanxi Province	-	-	13,064.88	milking parlour, office building and dormitory building	cowsheds, hay sheds, silage cellars, concentrate store, pools and separation room	2014 to 2025	795,000.00	NCV	NCV	255,554,000
89	Changqing Dairy Farm 長青牧場	Zhaodong Changqing Husbandry Co., Ltd.	Suihua City, Heilongjiang Province	-	-	11,324.00	milking parlour, composite building and office building	cowsheds, hay sheds, silage cellars, concentrate store, silage facility and fermentation facility	2011 to 2021	400,002.00	NCV	NCV	86,499,000
90	Zhangbei Dairy Farm 張北牧場	Zhangbei Zhongdu Husbandry Co., Ltd.	Zhangjiakou City, Hebei Province	-	-	-	ancillary building	monitoring wells	2014	452,002.26	NCV	NCV	111,000
91	Chilechuan Cultural Tourism 牧勒川文旅	Inner Mongolia Chilechuan Tourism and Culture Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	-	-	viewing platform	2023	395,928.65	NCV	NCV	416,000
93	Xianyang Chunhua Dairy Farm 鹹陽淳化牧場	Xianyang You'an Smart Animal Husbandry Co., Ltd.	Xianyang City, Shaanxi Province	-	-	-	-	pools	2024	971,393.34	NCV	NCV	598,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
94	Benteng Dairy Farm No.1 毕腾一牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	15,643.39	milking parlour, office building and dormitory building	cowsheds, hay sheds, silage cellars, feed silos and silage facility	2012 to 2023	881,000.00	NCV	NCV	149,309,000
95	Benteng Dairy Farm No.5 毕腾五牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	17,157.14	milking parlour, composite building and office building	cowsheds, silage cellars, hay sheds, concentrate store, silage facility and weighbridge	2014 to 2023	1,208,502.28	NCV	NCV	246,643,000
96	Benteng Dairy Farm No.7 毕腾七牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	7,438.83	milking parlour, dormitory building and canteen	cowsheds, silage cellars, hay sheds, silage facility, pools and fire protection facility	2015 to 2021	335,500.00	NCV	NCV	64,176,000
97	Benteng Dairy Farm No.8 毕腾八牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	12,696.00	milking parlour, dormitory building and boiler room	cowsheds, silage cellars, hay sheds, silage facility, fermentation facility and pools	2015 to 2023	296,214.70	NCV	NCV	78,744,000
98	Benteng Dairy Farm No.9 毕腾九牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	9,618.00	milking parlour, dormitory building and boiler room	cowsheds, silage cellars, hay sheds, pools, yards and roads	2015 to 2023	344,129.89	NCV	NCV	68,593,000
99	Benteng Dairy Farm No.10 毕腾十牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	- -	-	7,647.63	milking parlour, dormitory building and boiler room	cowsheds, silage cellars, hay sheds, silage facility and pools	2015 to 2021	385,335.25	NCV	NCV	84,358,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land		GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
				Site Area (sq.m.) (approx.)	Use Rights Expiry Date								
100	Benteng Dairy Farm No.12 華騰十二牧	Inner Mongolia Best Holsteins Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	108,971.21	2061-6-7	20,683.37	milking parlour, office building and boiler room	cowsheds, silage facility, silage cellars, concentrate store, pools and yards	2012 to 2021	139,998.60	36,966,000	24,715,000	23,835,000
101	Tuoketuo Dairy Farm 托縣牧場	Inner Mongolia Saixing Animal Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	9,568.30	office building, dormitory building and production workshop	cowsheds, silage cellars, concentrate store, hay sheds, fermentation facility and pools	2014 to 2023	574,569.54	NCV	NCV	119,015,000
102	Qingshuihe Dairy Farm 清水河牧場	Qingshuihe Saixing Animal Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	13,072.28	milking parlour, dormitory building and pump room	cowsheds, silage cellars, hay sheds, fermentation facility, weighbridge and pools	2023	1,000,000.00	NCV	NCV	170,964,000
103	Ordos Dairy Farm 鄂爾多斯牧場	Ordos Saixing Breeding Co., Ltd.	Ordos City, Inner Mongolia Autonomous Region	-	-	16,035.26	milking parlour, office building and dormitory building	cowsheds, silage facility, silage cellars, hay sheds, separation room and pools	2013 to 2022	875,854.08	NCV	NCV	114,015,000
104	Dalate Dairy Farm 達旗牧場	Dalad Banner Saiyou Animal Husbandry Co., Ltd.	Ordos City, Inner Mongolia Autonomous Region	-	-	11,325.30	milking parlour, composite building and dormitory building	cowsheds, hay sheds, silage cellars, concentrate store, silage facility and fire protection facility	2017 to 2024	1,075,524.26	NCV	NCV	147,490,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Site Area (sq.m.) (approx.)	Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
105	Etuoke Dairy Farm 鄂托克牧场	Otog Banner Saiyou Animal Husbandry Co., Ltd.	Ordos City, Inner Mongolia Autonomous Region	26,009.10	2062-4-22	34,410.57	milking parlour, office building and laboratory	cowsheds, silage facility, hay sheds, concentrate store, silage cellars and feed silos	2015 to 2022	535,336.01	15,354,000	10,246,000	71,601,000
106	Bayannur Dairy Farm 巴盟牧场	Bayannur Saikexing Animal Husbandry Co., Ltd.	Bayannur City, Inner Mongolia Autonomous Region	-	-	23,902.20	milking parlour, dormitory building and canteen	cowsheds, hay sheds, pools, fire protection facility, yards and roads	2022 to 2024	943,852.07	NCV	NCV	274,342,000
107	Ningxia Dairy Farm No.1 寧夏一牧	Ningxia Saikexing Breeding Co., Ltd.	Yinchuan City, Ningxia Hui Autonomous Region	-	-	19,953.18	office building, dormitory building and production workshop	cowsheds, hay sheds, silage cellars, silage facility, concentrate store and pools	2013 to 2025	484,107.85	NCV	NCV	166,049,000
108	Ningxia Dairy Farm No.2 寧夏二牧	Ningxia Saikexing Breeding Co., Ltd.	Yinchuan City, Ningxia Hui Autonomous Region	-	-	8,548.23	milking parlour, office building and dormitory building	cowsheds, concentrate store, hay sheds, silage facility and silage cellars	2013 to 2025	206,021.51	NCV	NCV	55,000,000
109	Ben Dairy Farm 蓟州牧场	Hebei Benfang Animal Husbandry Co., Ltd.	Cangzhou City, Hebei Province	-	-	29,812.40	power distribution room and ancillary building	cowsheds, silage cellars, hay sheds, pools, fire protection facility and yards	2015 to 2025	1,238,833.34	NCV	NCV	352,087,000
110	Wuqiang Dairy Farm 武强牧场	Wuqiang Saiyou Animal Husbandry Co., Ltd.	Hengshui City, Hebei Province	-	-	9,753.39	milking parlour, composite building and canteen	cowsheds, hay sheds, silage cellars, silage facility, pools and separation room	2018 to 2021	410,668.72	NCV	NCV	94,521,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
111	Cangzhou Dairy Farm 滄州牧場	Cangzhou Saikexing Animal Husbandry Co., Ltd.	Cangzhou City, Hebei Province	- -	-	6,859.84	office building, laboratory and veterinary room	cowsheds, silage facility, concentrate store, hay sheds, pools and enclosure walls	2015 to 2022	149,333.33	NCV	NCV	31,139,000
112	Dingzhou Dairy Farm 定州牧場	Dingzhou Saikexing Iren Animal Husbandry Co., Ltd.	Dingzhou City, Hebei Province	- -	-	3,819.76	milking parlour, office building and dormitory building	cowsheds, hay sheds, silage cellars, separation room, pools and enclosure walls	2015 to 2021	108,620.88	NCV	NCV	32,691,000
113	Miyun Dairy Farm 密雲牧場	Beijing Haifua Yundu Ecological Agriculture Co., Ltd.	Miyun District, Beijing	- -	-	12,668.07	office building, dormitory building and canteen	cowsheds, concentrate store, silage cellars, hay sheds, silage facility and feed silos	2013 to 2025	730,033.70	NCV	NCV	196,782,000
114	Chengde Dairy Farm 承德牧場	Chengde Saiyou Animal Husbandry Co., Ltd.	Chengde City, Hebei Province	- -	-	6,552.00	milking parlour, office building and boiler room	cowsheds, silage cellars, hay sheds, pools, fire protection facility and separation room	2019 to 2025	173,333.34	NCV	NCV	43,313,000
115	Xinghua Dairy Farm 興化牧場	Huaxia Animal Husbandry Xinghua Co., Ltd.	Taizhou City, Jiangsu Province	- -	-	12,060.51	milking parlour, power distribution room and ancillary building	cowsheds, hay sheds, silage facility, weighbridge, pools and yards	2014 to 2024	4,626,145.25	NCV	NCV	165,474,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	Site Area (sq.m.) (approx.)	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
116	Xundian Dairy Farm 春間牧場	Xundian Saiyou Animal Husbandry Co., Ltd.	Kunming City, Yunnan Province	-	-	2,733.91	milking parlour, office building and power distribution room	cowsheds, silage facility, hay sheds, pools, yards and enclosure walls	2016 to 2023	135,686.67	NCV	NCV	23,933,000
117	Zhalantun Dairy Farm 察爾汗牧場	Hulunbair Saiyou Animal Husbandry Co., Ltd.	Hulunbair City, Inner Mongolia Autonomous Region	5/46.73	2035-7-6	10,672.00	milking parlour, office building and dormitory building	cowsheds, silage cellars, pools, boiler room, yards and roads	2014 to 2024	447,466.67	2,995,000	2,002,000	106,020,000
118	Arongqi Dairy Farm 阿榮旗牧場	Hulunbair Saikexing Animal Husbandry Co., Ltd.	Hulunbair City, Inner Mongolia Autonomous Region	4,900.00	2061-5-26	20,459.68	milking parlour, composite building and production workshop	cowsheds, hay sheds, silage cellars, concentrate store, weighbridge and pools	2023	875,991.05	16,392,000	10,946,000	272,389,000
119	Saikexing Headquarters 賽科星總部	Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	78,226.90	2036-7-27	16,080.95	ancillary building	roads and pipelines	2016	-	97,091,000	64,915,000	-
120	Research Institute 研究所	Inner Mongolia Saikexing Livestock Seed Industry and Breeding Biotechnology Research Institute Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	5,044.01	ancillary building	-	2014 to 2024	139,998.60	245,000	164,000	4,954,000

APPENDIX II

SUMMARY OF PROPERTY VALUATION REPORT

No.	Name of Property	Company	Province/ Municipality	Land		GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Depreciated Replacement Cost of buildings and structures (for property certificates and/or in leased land nature) as at the valuation date (RMB)
				Site Area (sq.m.) (approx.)	Use Rights Expiry Date								
121	Seed Industry 種業	Inner Mongolia Saixing Livestock Seed Industry and Breeding Biotechnology Research Institute Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	108,346.40	2059-4-1	18,896.44	dormitory building, production building and boiler room	cowsheeds, silage cellars, pools, fire protection facility, yards and roads	2010 to 2016	1,333,340.00	50,052,000	33,445,000	13,307,000
122	Beef Cattle Farm 肉牛場	Inner Mongolia Saixing Beef Cattle Elite Breeding Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	2,058.16	office building, ancillary building and guardhouse	cowsheeds, hay sheds, silage facility, pools, enclosure walls and yards	2023	213,597.86	NCV	NCV	19,872,000
123	Jiyuan Dairy Farm 濟源牧場	Jiyuan Saixing Animal Husbandry Co., Ltd.	Jiyuan City, Henan Province	-	-	10,128.80	milking parlour, office building and dormitory building	cowsheeds, silage cellars, silage facility, hay sheds, concentrate store and fire protection facility	2015 to 2025	367,522.99	NCV	NCV	101,214,000
Total:											609,551,000 equivalent to approximately HKD 682,897,000	536,943,000 equivalent to approximately HKD 601,550,000	14,454,609,000 equivalent to approximately HKD 16,193,825,000

Note:

1. For property nos. 5-2, 5-3 and 8-2, we have adopted the comparison approach in our valuation by assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to sales comparables as available in the market. In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the subject property. Appropriate adjustments and analysis are considered to the differences in location, size, building age and other characters between the comparable properties and the property to arrive at the assumed unit rate of the property.
2. Due to the lack of proper building title certificates, we have relied on the legal opinion and attributed no commercial value to several buildings of properties nos. 2, 3, 4, 7, 8-1, 33, 58, 60, 62, 72 and 117, which were constructed by the Group on its own land. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the valuation date would be RMB130,232,000 (Equivalent to approximately HKD145,902,000).
3. We have attributed no commercial value to property nos. 1, 10 to 32, 34 to 49, 52, 53, 55 to 57, 59, 61, 63 to 71, 73 to 91, 93 to 99, 101 to 104, 106 to 116, 122 and 123, portions of property nos. 33, 50, 51, 54, 58, 60, 62, 72, 100, 105, 117, 118, 120 and 121 due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and the structures of these properties as at the valuation date would be RMB14,324,377,000 (Equivalent to approximately HKD16,047,923,000).
4. The exchange rate adopted in our valuation is HKD1=RMB0.8926 which was the middle rate published by the Bank of China as at the valuation date.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. For the land use rights of property nos. 2 to 4, 5-2, 5-3, 6, 7, 8-1, 8-2, 9, 33, 50, 51, 54, 58, 60, 62, 72, 100, 105, 117 to 119 and portions of property nos. 5-1 and 121, the Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. For the portions of buildings of property nos. 2, 3, 4, 7, 50 and 121, the Group legally and validly owns the ownership rights to these buildings and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights;
 - c. For the portions of buildings of property nos. 4, 8-1, 58, 60, 62 and 72, these buildings are constructed by the Group on its own land of which Real Estate Title Certificates of the buildings have not yet been obtained. According to the Company's description, the Group is in the process of applying for the issuance of Real Estate Title Certificates and is expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates;
 - d. For the portions of buildings of property nos. 2, 3, 7, 33 and 117, these buildings are constructed by the Group on its own land of which Real Estate Title Certificates of the buildings have not yet been obtained. According to the Company's description, due to historical issues, the Group is encountering certain difficulties in processing Real Estate Title Certificates for these buildings, but efforts to complete the registration are still ongoing. As the total area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings; and
 - e. For the leased land of property nos. 1, 10 to 91, 93 to 118 and 120 to 123, the relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.

Group II — Property interests held and under construction by the Group in the PRC

No.	Name of Property	Company	Province/ Municipality	Land		Planned Completion Year	Planned Building/ GFA (sq.m.) (approx.)	Building/ Structure Type	Total Estimated Construction Cost (RMB)	Development Cost paid up to the valuation date (RMB)	Leased Land Site Area (sq.m.) (approx.)	Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
				Site Area (sq.m.) (approx.)	Use Rights Expiry Date									
92	Youran Animal Husbandry Headquarters 優然牧業總部基地	Inner Mongolia Youchuang Industrial Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	86,489.37 (approx.)	2063-7-10	2027	45,762.36 (approx.)	office and research center	429,767,000 (RMB)	42,867,000 (RMB)	-	88,164,000 (RMB)	88,164,000 (RMB)	-
102	Qingshuihe Dairy Farm 清水河牧場	Qingshuihe Saikexing Animal Husbandry Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	2026	13,376.4 (approx.)	cowsheds, and manure gutter	11,135,000 (RMB)	5,696,000 (RMB)	1,000,000.00 (approx.)	-	-	3,628,000 (RMB)
122	Beef Cattle Farm 肉牛場	Inner Mongolia Saikexing Beef Cattle Elite Breeding Co., Ltd.	Hohhot City, Inner Mongolia Autonomous Region	-	-	2026	295 (approx.)	ancillary building	434,000 (RMB)	370,000 (RMB)	213,597.86 (approx.)	-	-	296,000 (RMB)

No.	Name of Property	Company	Province/ Municipality	Land		Planned Building/ GFA (sq.m.) (approx.)	Planned Completion Year	Total Estimated Construction Cost (RMB)	Development		Market Value in existing state as at valuation date (RMB)	Market Value Attributable to the Group as at valuation date (RMB)	Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
				Site Area (sq.m.) (approx.)	Use Rights Expiry Date (sq.m.) (approx.)				Cost paid up to the valuation date (RMB)	Leased Land Area (sq.m.) (approx.)			
123	Jiyuan Dairy Farm 濟源牧場	Jiyuan Saikexing Animal Husbandry Co., Ltd.	Jiyuan City, Henan Province	-	-	3,500 oxidation pond	2026	2,664,000	1,420,000	367,522.99	-	-	1,420,000
Total:											88,164,000 equivalent to approximately HKD98,772,000	88,164,000 equivalent to approximately HKD98,772,000	5,344,000 equivalent to approximately HKD5,988,000

Note:

- Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 150121202301018 dated 4 December 2023 in favour of the Group, 3 buildings with a total gross floor area of approximately 45,762.36 sq.m. of property no. 92 have been approved for construction.
- Pursuant to a Construction Work Commencement Permit – No. 15012120202506051101 dated 5 June 2025 in favour of the Group, permission by the relevant local authority was given to commence the construction work of property no. 92.
- According to a Facility Agricultural Land Filing Certificate (設施農業用地備案證明) dated 28 June 2021, all required approvals from forestry, natural resources, water resources, and environmental protection authorities for the “National Dairy Innovation Center Core Dairy Cattle Breeding Farm and National Embryo Engineering Center Project” (國家乳業創新中心奶牛核心育種場與國家胚胎工程中心項目) of Qingshuihe Dairy Farm have been obtained. The Group has been officially granted the filing approval for the use of the land for production facilities for property no. 102.
- According to a Facility Agricultural Land Filing Notification (設施農業用地備案告知書) dated 12 July 2022, the “Qingshuihe Saikexing New Beef Cattle Core Breeding Project” (清水河賽科星新建肉牛核心育種項目) of Beef Cattle Farm complies with relevant industrial policies and market access standards and has therefore been approved for filing. The Group may proceed with the construction activities of property no. 122 based on this approval.
- According to a Facility Agricultural Land Filing Approval (設施農業用地備案批覆) dated 10 October 2012 and a Facility Agricultural Land Filing Status Statement (設施農業用地備案情況說明) dated 20 March 2017, the Group was authorized to use the land and proceed with construction for property no. 123.

6. The market value of the property no. 92 and the replacement cost of portions of property nos. 102, 122 and 123 as if completed as at the valuation date according to the development proposal and which can be freely transferred in the market, would be RMB434,064,000 (Equivalent to approximately HKD486,292,000) and RMB16,206,000 (Equivalent to approximately HKD18,156,000) respectively.
7. We have attributed no commercial value to portions of property nos. 102, 122 and 123 due to the leased land nature. However, for reference purpose, we are of the opinion that the replacement cost of the construction under development of these properties as at the valuation date would be RMB5,344,000 (Equivalent to approximately HKD5,988,000).
8. As advised by the Group, the research center under construction of the property no. 92 will be acquired by Inner Mongolia Dairy Technology Research Institute Co., Ltd. (內蒙古乳業技術研究院有限公司, a connected party of the Company) upon completion for an estimated amount not exceeding RMB250,000,000, with delivery date scheduled no later than 30 September 2027.
9. The exchange rate adopted in our valuation is HKD1=RMB0.8926 which was the middle rate published by the Bank of China as at the valuation date.
10. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. For the land use rights of property no. 92, the Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificate and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to property no. 92, the buildings are being constructed by the Group on its own land of which Real Estate Title Certificates of the buildings have not yet been obtained. According to the Company's description, the property is expected to be completed in 2027. The Group will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificate; and
 - c. For the leased land of property nos. 102, 122 and 123, the relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.

Group III — Property interest contracted to be acquired by the Group in the PRC

No.	Name of Property	Company	Province/ Municipality	Land Use Rights Expiry Date	GFA (sq.m.) (approx.)	Building Type	Structure Type	Completion Year	Leased Land Site Area (sq.m.) (approx.)	Market Value existing state as at valuation date	Market Value Attributable to the Group as at valuation date	Market Value for reference (for property without proper title certificates) as at the valuation date
										(RMB)	(RMB)	(RMB)
5-1	Ningxia Yikangyuan 宁夏伊康元	Ningxia Yikangyuan Biotechnology Co., Ltd.	Wuzhong City, Ningxia Hui Autonomous Region	29/295 -	- -	-	-	-	-	-	-	5,566,000

Note:

1. The Group has entered into the State-owned Land Use Grant Contract for the above mentioned land parcel of property no. 5-1.
2. We have attributed no commercial value to a parcel of land of property no. 5-1 in Group III as the State-owned Land Use Rights Certificate has not yet been obtained as at the valuation date. For reference purposes, we are of the opinion that the market value of this parcel of land as at the valuation date would be RMB5,566,000 (Equivalent to approximately HKD6,236,000).
3. The exchange rate adopted in our valuation is HKD1=RMB0.8926 which was the middle rate published by the Bank of China as at the valuation date.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisor, which contains, inter alia, the following:
 - a. The Group has entered into the State-owned Land Use Rights Grant Contract for the land parcel. According to the Company's description, the Group is currently in the process of coordinating the application for the State-owned Land Use Rights Certificate.

(A) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any of the statements in this circular misleading.

(B) SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and upon completion of the issuance and allotment of the Specific Mandate Subscription Shares will be, as follows:

(a) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>Aggregate nominal value (US\$)</i>
10,000,000,000 Shares of US\$0.00001 each	100,000
<i>Issued and fully paid:</i>	
4,191,977,833 Shares of US\$0.00001 each	41,919.77833

(b) Immediately following the issuance and allotment of the Specific Mandate Subscription Shares:

<i>Authorised:</i>	<i>Aggregate nominal value (US\$)</i>
10,000,000,000 Shares of US\$0.00001 each	100,000
<i>Issued and fully paid:</i>	
4,491,227,833 Shares of US\$0.00001 each	44,912.27833

All the Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital.

Save for the Shares issued under the Placing and Top-up Subscription, the Company had not issued any Shares since December 31, 2025 (being the end of the last financial year of the Company) and up to the Latest Practicable Date.

No application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

(C) MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day of each of the six calendar months before the date of the Announcement and up to the Latest Practicable Date; (ii) the last full trading day before the release of the Announcement; and (iii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
July 31, 2025	3.70
August 29, 2025	3.88
September 30, 2025	3.30
October 31, 2025	3.24
November 28, 2025	4.36
December 31, 2025	5.08
January 15, 2026 (being the Last Trading Date before the Announcement)	4.30
January 30, 2026	4.45
February 27, 2026	5.05
March 31, 2026	3.86
April 27, 2026 (being the Latest Practicable Date)	3.74

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$5.08 on December 31, 2025 and HK\$3.24 on October 31, 2025.

(D) DISCLOSURE OF INTERESTS**(I) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) 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 were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules; or (iv) disclosed pursuant to the Takeovers Code.

(II) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which were recorded in the register to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of Issued Share Capital of the Company
Yili	Interest in controlled corporations	Long Position	1,320,800,000	31.51%
Boyuan	Beneficial interest	Long Position	800,000,000	19.08%
Pacific Alliance Group Limited	Interest in controlled corporation	Long Position	730,102,530	17.42%
PAG	Interest in controlled corporation	Long Position	730,102,530	17.42%
PAG Capital Limited	Interest in controlled corporation	Long Position	730,102,530	17.42%
PAG Dairy GP I Limited	Interest in controlled corporation	Long Position	730,102,530	17.42%
PAG Dairy I LP	Interest in controlled corporation	Long Position	730,102,530	17.42%
PAGAC Yogurt Holding II Limited	Beneficial interest	Long Position	730,102,530	17.42%
Shan Weijian	Interest in controlled corporation	Long Position	730,102,530	17.42%

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of Issued Share Capital of the Company
Jingang	Beneficial interest	Long Position	520,800,000	12.42%
Cloud Up Development Company Limited	Interest in controlled corporation	Long Position	472,482,819	11.27%
Hao Meirong	Interest in controlled corporations	Long Position	472,482,819	11.27%
Meadowland Investment Limited Partnership	Beneficial interest	Long Position	472,482,819	11.27%
Pasture Holding Limited	Interest in controlled corporations	Long Position	472,482,819	11.27%
Zhuhai Zhongxin Enterprise Management Partnership (Limited Partnership) (珠海眾心企業管理合夥企 業(有限合夥))	Interest in controlled corporations	Long Position	472,482,819	11.27%

Save for the Specific Mandate Subscription Shares or as otherwise disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any other persons or companies who had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(E) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no subsisting service contracts between the Directors and the Company or any subsidiary or associated company of the Company which (a) (including continuous and fixed term contracts) had been entered into or amended within six months before the date of the Announcement; (b) are continuous contracts with a notice period of 12 months or more; (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or (d) are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(F) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(G) MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position of the Group since December 31, 2025, being the date to which the latest audited consolidated financial statements of the Group were made up.

(H) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date:

- (I) none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement, which was significant in relation to the business of the Group; and
- (II) none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

(I) ARRANGEMENTS IN CONNECTION WITH THE SPECIFIC MANDATE SUBSCRIPTION

As at the Latest Practicable Date:

- (I) other than the Specific Mandate Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation agreement) existing between Boyuan or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Specific Mandate Subscription and/or the Whitewash Waiver;
- (II) there was no agreement, arrangement or understanding (including any compensation agreement) regarding any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Specific Mandate Subscription and/or the Whitewash Waiver;
- (III) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Specific Mandate Subscription and/or the Whitewash Waiver; and
- (IV) none of the Directors was materially interested in any material contract entered into by Boyuan.

(J) DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE

As at the Latest Practicable Date, other than the holdings of Shares and the Specific Mandate Subscription Shares which are proposed to be subscribed for under the Specific Mandate Subscription as disclosed in the section headed “Effects on Shareholding Structure of the Company” in the letter from the Board, Boyuan confirms that:

- (I) none of the directors of Boyuan was interested (within the meaning of Part XV of the SFO) in any Shares or convertible securities, warrants, options or derivatives in respect of the Shares;
- (II) none of Boyuan or parties acting in concert with it owned, controlled or had direction over any Shares or any outstanding convertible securities, warrants, options and derivatives in respect of the Shares;
- (III) none of Boyuan or parties acting in concert with it has received any irrevocable commitment from any person as to whether they will vote for or against the resolutions approving the Specific Mandate Subscription and the Whitewash Waiver;
- (IV) save for the Specific Mandate Subscription, none of Boyuan or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (V) none of Boyuan or parties acting in concert with it has borrowed or lent any Shares or convertible securities, warrants, options and derivatives in respect of the Shares;
- (VI) the Specific Mandate Subscription does not involve any sale of Shares;
- (VII) other than the Placing and Top-up Subscription, none of Boyuan or parties acting in concert with it will make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the date of the Announcement and completion of the Specific Mandate Subscription;
- (VIII) there was no agreement, arrangement or understanding pursuant to which the Specific Mandate Subscription Shares would be transferred, charged or pledged to any other persons;
- (IX) save for the Specific Mandate Subscription, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of Boyuan and its concert parties and which might be material to the Specific Mandate Subscription and/or the Whitewash Waiver;

- (X) save for the Specific Mandate Subscription, there are no agreements or arrangements to which Boyuan is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Specific Mandate Subscription and/or the Whitewash Waiver; and
- (XI) save for the Placing and Top-up Subscription and the Specific Mandate Subscription, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder and (1) Boyuan and parties acting in concert with it, or (2) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Company confirms that:

- (I) the Company did not own any shares of Boyuan or convertible securities, warrants, options and derivatives in respect of the shares of Boyuan;
- (II) none of the Directors had any interest (within the meaning of Part XV of the SFO) in the Shares or convertible securities, warrants, options and derivatives in respect of the Shares;
- (III) no Shares, convertible securities, warrants, options and derivatives in respect of the Shares were owned or controlled by any subsidiary of the Company or by a pension fund of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) or who is an associate of the Company by virtue of class (2) of the definition of “associate” (for the avoidance of doubt, except in the capacity of an exempt principal trader or exempt fund manager) under the Takeovers Code;
- (IV) save for the Placing and Top-up Subscription and the Specific Mandate Subscription, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (V) no Shares or convertible securities, warrants, options and derivatives in respect of the Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

- (VI) Mr. Bai Wenzhong and Ms. Li Lin have abstained from voting on the Board resolutions in relation to the Specific Mandate Subscription Agreement by reason of their respective positions in Yili, as a result of which they are deemed to have a material interest in the transaction. Save as disclosed above, none of the Directors had a material interest in the matters contemplated therein nor was any of them required to abstain from voting on the relevant Board resolutions approving the Specific Mandate Subscription Agreement and the transactions contemplated thereunder; and
- (VII) there were no Shares or convertible securities, warrants, options and derivatives in respect of the Shares which the Company or the Directors has/have borrowed or lent.

(K) DEALINGS IN SHARES

During the Relevant Period,

- (I) the Company, Boyuan, J.P. Morgan Securities (Asia Pacific) Limited and CLSA Limited have entered into a placing and subscription agreement dated January 16, 2026 for the placing and top-up subscription, pursuant to which Boyuan sold 299,250,000 Shares and subscribed for 299,250,000 Shares;
- (II) save for the Placing and Top-up Subscription and the Specific Mandate Subscription, neither Boyuan nor any of the parties acting in concert with it had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares or had acquired or entered into any agreement or arrangement to acquire any voting rights in the Company;
- (III) none of the directors of Boyuan had dealt for value in any Shares, convertible securities, warrants, options and derivatives in respect of the Shares;
- (IV) there were no Shares or convertible securities, warrants, options and derivatives of the Company which Boyuan or the parties acting in concert with it, or the Directors have borrowed or lent;
- (V) the Company had not dealt for value in any shares of Boyuan or convertible securities, warrants, options and derivatives in respect of the shares of Boyuan; and
- (VI) none of the Directors had dealt for value in any shares of Boyuan or convertible securities, warrants, options and derivatives in respect of the shares of Boyuan or any Shares or convertible securities, warrants, options and derivatives in respect of the Shares.

(L) LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

(M) MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the placing and subscription agreement entered into between the Company, Boyuan, J.P. Morgan Securities (Asia Pacific) Limited and CLSA Limited dated January 16, 2026 in respect of the Placing and Top-up Subscription; and
- (b) the Specific Mandate Subscription Agreement.

Save as disclosed above, no contracts other than contracts in the ordinary course of business carried on or intended to be carried on by the members of the Group have been entered into by the members of the Group within the two years before the date of the Announcement and up to the Latest Practicable Date.

(N) EXPERT QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given its opinion and advice which are included in this circular:

NAME	QUALIFICATION
Rainbow Capital (HK) Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	An independent professional valuer

As at the Latest Practicable Date, each of the above-mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice or report in the form and context in which they are included and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above-mentioned experts was neither interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since December 31, 2025, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of J.P. Morgan Securities (Asia Pacific) Limited and CITIC Securities (Hong Kong) Limited, financial advisers to the Company in connection with the Specific Mandate Subscription, has given and has not withdrawn its written consent to the publication of its name in this circular in the form and context in which it appears.

(O) CORPORATE AND OTHER INFORMATION

The registered office of Boyuan is P.O. Box 472, Harbour Place, 2nd Floor, North Wing, 103 South Church Street, George Town, Grand Cayman, Cayman Islands KY1-1106. As at the Latest Practicable Date, the sole director of Boyuan is Mr. Zhang Yujun.

Boyuan is a wholly-owned subsidiary of Yili, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600887). As at the Latest Practicable Date, the directors of Yili are Mr. Pan Gang, Ms. Zhao Chengxia, Mr. Wang Xiaogang, Ms. Zhao Ying, Ms. Wang Yanfang, Mr. Gao Zhenyu, Mr. Lv Gang, Mr. Peng Heping, Ms. Ji Shao, Mr. Cai Yuanming and Ms. Shi Fang.

The registered office of J.P. Morgan Securities (Asia Pacific) Limited, financial adviser to the Company in connection with the Specific Mandate Subscription, is at 28th Floor, Chater House, 8 Connaught Road Central, Hong Kong.

The registered office of CITIC Securities (Hong Kong) Limited, financial adviser to the Company in connection with the Specific Mandate Subscription, is at 18/F, One Pacific Place, 88 Queensway, Hong Kong.

The registered office of Rainbow Capital (HK) Limited, the Independent Financial Adviser, is at No. 710, 7/F, Wing On House, 71 Des Voeux Road, Central, Hong Kong.

The registered office of Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer, is at 7th Floor, One Taikoo Place, 979 King's Road, Hong Kong.

(P) DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the websites of the Stock Exchange at www.hkexnews.hk, the SFC at www.sfc.hk and the Company at www.yourandairy.com from the date of this circular up to and including the date of the EGM:

1. the material contracts referred to in the paragraph headed “(M) Material Contracts” in this appendix;

2. this circular;
3. the memorandum and articles of association of the Company;
4. the memorandum and articles of association of Boyuan;
5. the published annual reports of the Company containing audited consolidated financial statements of the Company for each of the three years ended December 31, 2023, 2024 and 2025;
6. the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
7. the letter from the Takeovers Code Independent Board Committee, the text of which is set out in the section headed “Letter from the Takeovers Code Independent Board Committee” in this circular;
8. the letter from the Listing Rules Independent Board Committee, the text of which is set out in the section headed “Letter from the Listing Rules Independent Board Committee” in this circular;
9. the letter from the Independent Financial Adviser containing its advice to the Independent Board Committees and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
10. the full property valuation report of the Group from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer, a summary of which is set out in Appendix II to this circular; and
11. the written consents referred to in the paragraph headed “(N) Expert qualifications and consents” in this Appendix.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised expressions which are not expressly defined in this notice shall bear the same meaning as those defined in the circular to the shareholders of the Company dated April 30, 2026 (the “**Circular**”), unless the context requires otherwise.

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same venue, whichever is later), to consider and, if thought fit, to pass with or without amendments the following resolutions as an ordinary resolution or special resolution (as the case may be) of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the Specific Mandate Subscription be and is hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Specific Mandate Subscription Shares, subject to and in accordance with the terms and conditions set out in the Specific Mandate Subscription Agreement. This specific mandate so granted is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company at, before or after the passing of this resolution; and
- (c) any Director be and is hereby authorised to do all such acts and things and sign or execute all such documents under seal (as the case may be) and to take such steps as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to

NOTICE OF EGM

the Specific Mandate Subscription, including the issue and allotment of the Specific Mandate Subscription Shares and any matters relating or incidental thereto.”

SPECIAL RESOLUTION

2. “THAT:

the waiver of the obligation on the part of Boyuan to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and parties acting in concert with it) which might otherwise arise as a result of Boyuan subscribing for the Specific Mandate Subscription Shares under the Specific Mandate Subscription Agreement, i.e. the Whitewash Waiver, be and is hereby approved, and that any Director be and is hereby authorised to do all such acts and things and sign or execute all such documents under seal (as the case may be) as he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any matters relating to, or incidental to, the Whitewash Waiver.”

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

Hohhot, April 30, 2026

Notes:

1. The register of members of the Company will be closed from Tuesday, May 19, 2026 to Friday, May 22, 2026, both days inclusive, during which period no transfer of Shares can be registered. The record date for ascertaining Shareholders’ eligibility to attend and vote at the EGM will be Friday, May 22, 2026. In order to qualify for the entitlement to attend and vote at the meeting, all transfer documents, accompanied by the relevant share certificates, must be duly completed and lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, May 18, 2026.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote in his/her stead. A member who is the holder of two or more Shares may appoint more than one proxy to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
3. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 11:00 a.m. on Wednesday, May 20, 2026) (Hong Kong time) or any adjourned meeting.
4. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EGM

5. Where there are joint holders of any Share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution(s) proposed at the EGM shall be voted by poll.

As of the date of this notice, the Board comprises three (3) executive Directors, namely Mr. Hao Haijun, Mr. Dong Jiping and Ms. Meng Yilan; three (3) non-executive Directors, namely Mr. Bai Wenzhong, Ms. Li Lin and Mr. Xu Zhan Kevin; and three (3) independent non-executive Directors, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin.

**FOURTH AMENDED AND RESTATED
MEMORANDUM**

AND

ARTICLES OF ASSOCIATION

China Youran Dairy Group Limited
中國優然牧業集團有限公司

(as adopted by a special resolution dated May 27, 2022)

TABLE OF CONTENTS

SHARES, WARRANTS AND MODIFICATION OF RIGHTS	10
REGISTER OF SHAREHOLDERS AND SHARE CERTIFICATES	14
LIEN	16
CALLS ON SHARES	17
TRANSFER OF SHARES	18
TRANSMISSION OF SHARES	20
FORFEITURE OF SHARES	21
GENERAL MEETINGS	22
PROCEEDINGS AT GENERAL MEETINGS	24
VOTES OF SHAREHOLDERS	26
APPOINTMENT OF PROXY AND CORPORATE REPRESENTATIVE	28
REGISTERED OFFICE	30
BOARD OF DIRECTORS	31
APPOINTMENT AND ROTATION OF DIRECTORS	36
BORROWING POWERS	38
MANAGING DIRECTORS, ETC.	38
MANAGEMENT	39
MANAGERS	40
CHAIRMAN AND OTHER OFFICERS	40
PROCEEDINGS OF THE DIRECTORS	40
MINUTES AND CORPORATE RECORDS	42
SECRETARY	43
GENERAL MANAGEMENT AND USE OF THE SEAL	43
AUTHENTICATION OF DOCUMENTS	45
CAPITALISATION OF RESERVES	46
DIVIDENDS AND RESERVES	47

RECORD DATE	53
ANNUAL RETURNS	53
ACCOUNTS	54
AUDITOR	55
NOTICES	56
INFORMATION	58
WINDING UP	58
INDEMNITY	59
UNTRACEABLE SHAREHOLDERS	60
DESTRUCTION OF DOCUMENTS	61
SUBSCRIPTION RIGHT RESERVE	62
STOCK	64

THE COMPANIES ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES

FOURTH AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

China Youran Dairy Group Limited
中國優然牧業集團有限公司

(as adopted by a special resolution dated May 27, 2022)

1. The name of the Company is China Youran Dairy Group Limited 中國優然牧業集團有限公司.
2. The Company's registered office will be situated at the office of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands or at such other place in the Cayman Islands as the Directors may from time to time decide.
3. The objects for which the Company is established are unrestricted and except as prohibited or limited by the Companies Act (as revised) or any other law of the Cayman Islands, the Company shall have full power and authority to carry out any object and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise.
4. Subject to the following provisions of this Memorandum, the objects for which the Company is established are unrestricted and shall include, but without limitation:
 - (a) to act and to perform all the functions of a holding company in all its branches and to coordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a member or which are in any manner controlled directly or indirectly by the Company; and
 - (b) to act as an investment company and for that purpose to subscribe, acquire, hold, dispose, sell, deal in or trade upon any terms, whether conditionally or absolutely, shares, stock, debentures, debenture stock, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company wherever incorporated, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in syndicates or in any other manner and whether or not fully paid up, and to meet calls thereon.

5. Nothing in this Memorandum shall permit the Company to carry on a business for which a licence is required under the laws of the Cayman Islands unless duly licensed.
6. The Company shall not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands; provided that nothing in this clause shall be construed as to prevent the Company effecting and concluding contracts in the Cayman Islands, and exercising in the Cayman Islands all of its powers necessary for the carrying on of its business outside the Cayman Islands.
7. The Company may exercise the power contained in the Companies Act to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.
8. The liability of each member of the Company is limited to the amount from time to time unpaid on such member's share(s).
9. The authorised share capital of the Company is US\$100,000 consisting of 10,000,000,000 shares of US\$0.00001 each with the power for the Company to increase or reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.

THE COMPANIES ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES
FOURTH AMENDED AND RESTATED
ARTICLES OF ASSOCIATION

OF

China Youran Dairy Group Limited
中國優然牧業集團有限公司

(as adopted by a special resolution dated May 27, 2022)

1. (a) Table A in Schedule 1 in section 283 of the Companies Act (as revised) shall not apply to the Company.

- (b) Any marginal notes, titles or lead in references to Articles and the index of the Memorandum and Articles of Association shall not form part of the Memorandum or Articles of Association and shall not affect their interpretation. In interpreting these Articles of Association, unless there be something in the subject or context inconsistent therewith: Marginal Notes

address: shall have the ordinary meaning given to it and shall include any facsimile number, electronic number or address or website used for the purposes of any communication pursuant to these Articles; Definitions

appointor: means in relation to an alternate Director, the Director who appointed the alternate to act as his alternate;

Articles: means these Articles of Association in their present form and all supplementary, amended or substituted articles for the time being in force;

Auditor: means the person appointed by the Company from time to time to perform the duties of auditor of the Company;

Board: means the board of Directors of the Company as constituted from time to time or as the context may require the majority of Directors present and voting at a meeting of the Directors at which a quorum is present;

Call: shall include any instalment of a call;

Clearing House: means a clearing house recognised by the laws of the jurisdiction in which the Shares of the Company are listed or quoted with the permission of the Company on a stock exchange in such jurisdiction, including in the case of the Company, the HKSCC;

Close Associate(s): shall have the meaning as defined in the Listing Rules;

Companies Act: means the Companies Act (as revised) of the Cayman Islands as amended from time to time and every other act, order regulation or other instrument having statutory effect (as amended from time to time) for the time being in force in the Cayman Islands applying to or affecting the Company, the Memorandum of Association and/or the Articles of Association;

Companies Ordinance: means the Companies Ordinance, Cap. 622 of the Laws of Hong Kong as amended from time to time;

Company: means the above named company;

Debenture and Debenture Holder: means and includes respectively debenture stock and debenture stockholder;

Director: means such person or persons as shall be appointed to the Board from time to time;

Dividend: means dividends, distributions in specie or in kind, capital distributions and capitalisation issues;

Head Office: means such office of the Company as the Board may from time to time determine to be the principal office of the Company;

HKSCC: shall have the meaning as defined in the Listing Rules;

HK Stock Exchange means The Stock Exchange of Hong Kong Limited;

HK\$ or Hong Kong dollars: means Hong Kong dollars, the lawful currency for the time being of Hong Kong;

Holding Company: has the meaning ascribed to it by Section 13 of the Companies Ordinance;

Hong Kong means the Hong Kong Special Administrative Region of the People's Republic of China;

Listing Rules: shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

Month: means a calendar month;

Newspapers: means at least one English language daily newspaper and at least one Chinese language daily newspaper, in each case published and circulating generally in the Relevant Territory and specified or not excluded for this purpose by the stock exchange in the Relevant Territory;

Ordinary Resolution: means a resolution as described in Article 1(f) of these Articles;

Paid: means, as it relates to a Share, paid or credited as paid;

Register: means the principal register and any branch register of Shareholders of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time;

Registered Office: means the registered office of the Company for the time being as required by the Companies Act;

Registration Office: means such place or places in the Relevant Territory or elsewhere where the Board from time to time determine to keep a branch register of Shareholders of the Company in respect of that class of share capital and where (except in cases where the Board otherwise agrees) transfers of other documents of title for Shares are to be lodged for registration and are to be registered;

Relevant Period: means the period commencing from the date on which any of the securities of the Company first become listed on the HK Stock Exchange to and including the date immediately before the day on which none of such securities are so listed (and so that if at any time listing of any such securities is suspended for any reason whatsoever and for any length of time, they shall nevertheless be treated, for the purpose of this definition, as listed);

Relevant Territory: means Hong Kong or such other territory where any of the securities of the Company is listed on a stock exchange in that territory;

Seal: means the common seal of the Company and any one or more facsimile seals from time to time of the Company for use in the Cayman Islands or in any place outside the Cayman Islands;

Secretary: means the person for the time being performing the duties of that office of the Company and includes any assistant, deputy, acting or temporary secretary;

Securities Seal: means a seal for use for sealing certificates for shares or other securities issued by the Company which is a facsimile of the Seal of the Company with the addition on its face of the words Securities Seal;

Share: means a share in the share capital of the Company and includes stock except where a distinction between stock and Shares is expressed or implied;

Shareholder: means the person who is duly registered in the Register as holder for the time being of any Share and includes persons who are jointly so registered;

Special Resolution: means a resolution as described in Article 1(e) of these Articles;

Subsidiary: has the meaning ascribed to it by Section 15 of the Companies Ordinance; and

Supermajority Resolution: means a resolution as described in Article 1(d) of these Articles;

Transfer Office: means the place where the principal register of Shareholders is located for the time being.

- (c) In these Articles, unless there be something in the subject or context inconsistent herewith: words denoting the singular number shall include the plural number and vice versa; General
- (i) words importing any gender shall include every gender and words importing persons shall include partnerships, firms, companies and corporations;
 - (ii) subject to the foregoing provisions of this Article, any words or expressions defined in the Companies Act (except any statutory modification thereof not in force when these Articles become binding on the Company) shall bear the same meaning in these Articles, save that “company” shall where the context permits include any company incorporated in the Cayman Islands or elsewhere; and
 - (iii) references to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force.
- (d) At all times during the Relevant Period a resolution shall be a Supermajority Resolution when it has been passed by a majority of not less than three-fourths of the votes cast by such Shareholders as, being entitled so to do, vote in person or, where proxies are allowed, by proxy or, in the cases of Shareholders which are corporations, by their respective duly authorised representatives at a general meeting of which notice specifying the intention to propose the resolution as a supermajority resolution has been duly given in accordance with Article 65. Supermajority Resolution
- (e) At all times during the Relevant Period a resolution shall be a Special Resolution when it has been passed by a majority of not less than two-thirds of the votes cast by such Shareholders as, being entitled so to do, vote in person or, where proxies are allowed, by proxy or, in the cases of Shareholders which are corporations, by their respective duly authorised representatives at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given in accordance with Article 65. Special Resolution
- (f) A resolution shall be an Ordinary Resolution when it has been passed by a simple majority of the votes of such Shareholders as, being entitled so to do, vote in person or, where proxies are allowed, by proxy or, in the case of any Shareholder being a corporation, by its duly authorised representative at a general meeting held in accordance with these Articles and of which notice has been duly given in accordance with Article 65. Ordinary Resolution
- (g) A resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purpose of these Articles, be treated as an Ordinary Resolution duly passed at a general meeting of the Company duly convened and held and, where relevant as a Special Resolution and a Supermajority Resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last person to sign, and where the resolution states a date as being the date of his signature thereof by any Shareholder the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, and signed by one or more relevant Shareholders. Resolutions in writing

- (h) A Special Resolution or a Supermajority Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Articles.

Special Resolution or Supermajority Resolution effective as Ordinary Resolution

2. To the extent that the same is permissible under Cayman Islands law and subject to Article 13, a Supermajority Resolution shall be required to alter the provisions of the Memorandum of Association of the Company, to approve any amendment of the Articles or to change the name of the Company.

When Supermajority Resolution is required

SHARES, WARRANTS AND MODIFICATION OF RIGHTS

3. (a) Without prejudice to any special rights or restrictions for the time being attaching to any Shares or any class of Shares including preference Shares, any Share may be issued upon such terms and conditions and with or have attached hereto such preferred, deferred or other qualified or special rights, or such restrictions, whether with regard to Dividend, voting, return of capital or otherwise, as the Directors may from time to time determine.

Issue of Shares

- (b) Subject to the provisions of the Companies Act, the rules of the HK Stock Exchange and the Memorandum and the Articles, and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, Shares may be issued on the terms that may be, or at the option of the Company or the holder are, liable to be redeemed on such term and in such manner, including out of capital, as the Board may deem fit. No Shares shall be issued to bearer.

4. The Board may issue warrants to subscribe for any class of Shares or other securities of the Company, which warrants may be issued on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Warrants

5. (a) If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to the Shares or any class of Shares (unless otherwise provided for by the terms of issue of the Shares of that class) may, subject to the provisions of the Companies Act, be varied, modified or abrogated either with the consent in writing of not less than $\frac{3}{4}$ of the voting rights of the holders of that class or with the sanction of a Supermajority Resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third in nominal value of the issued Shares of that class, that the quorum for any meeting adjourned for want of quorum shall be two Shareholders present in person (or in the case of the Shareholder being a corporation, by its duly authorised representative) or by proxy (whatever the number of Shares held by them) and that any holder of Shares of the class present in person (or in the case of the Shareholder being a corporation, by its duly authorised representative) or by proxy may demand a poll.

How rights of shares may be modified

- (b) The provisions of this Article shall apply to the variation, modification or abrogation of the rights attached to the Shares of any class as if each group of Shares of the class differently treated formed a separate class the rights whereof are to be varied or abrogated.
- (c) The special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.
6. The authorised share capital of the Company on the date of the adoption of these Articles is US\$100,000 divided into 10,000,000,000 shares of US\$0.00001 each. Authorised Share Capital
7. The Company in general meeting may from time to time, whether or not all the Shares for the time being authorised shall have been issued and whether or not all the Shares for the time being issued shall have been fully paid up, by Ordinary Resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such class or classes and of such amounts in Hong Kong dollars or such other currency as the Shareholders may think fit and as the resolution may prescribe. Power to increase capital
8. Any new Shares shall be issued upon such terms and conditions and with such rights, privileges or restrictions attached thereto as the general meeting resolving upon the creation thereof shall direct, and if no direction be given, subject to the provisions of the Companies Act and of these Articles, as the Board shall determine; and in particular such Shares may be issued with a preferential or qualified right to participate in Dividends and in the distribution of assets of the Company and with a special right or without any right of voting. On what conditions new shares may be issued
9. The Board may, before the issue of any new Shares, determine that the same, or any of them, shall be offered in the first instance, and either at par or at a premium, to all the existing holders of any class of Shares in proportion as nearly as may be to the number of Shares of such class held by them respectively, or make any other provisions as to the allotment and issue such Shares, but in default of any such determination or so far as the same shall not extend, such Shares may be dealt with as if they formed part of the capital of the Company existing prior to the issue of the same. When to be offered to existing shareholders
10. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new Shares shall be treated as if it formed part of the original capital of the Company and such Shares shall be subject to the provisions contained in these Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise. New shares to form part of original capital
11. (a) All unissued Shares and other securities of the Company shall be at the disposal of the Board and it may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms and conditions (subject to Article 9) as it in its absolute discretion thinks fit, but so that no Shares shall be issued at a discount to their nominal value. The Board shall, as regards any offer or allotment of Shares, comply with the provisions of the Companies Act, if and so far as such provisions may be applicable thereto. Unissued Shares at the disposal of the Directors

- (b) Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares or other securities of the Company, to make, or make available, and may resolve not to make, or make available, any such allotment, offer, option or Shares or other securities to Shareholders or others with registered addresses in any jurisdiction outside of the Relevant Territory, or in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable, or the existence or extent of the requirement for such registration statement or special formalities might be expensive (whether in absolute terms or in relation to the rights of the Shareholder(s) who may be affected) or time consuming to determine. The Board shall be entitled to make such arrangements to deal with fractional entitlements arising on an offer of any unissued Shares or other securities as it thinks fit, including the aggregation and the sale thereof for the benefit of the Company. Shareholders who may be affected as a result of any of the matters referred to in this paragraph (b) shall not be, and shall be deemed not to be, a separate class of Shareholders for any purposes whatsoever.

12. (a) The Company may at any time pay commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any Shares, but so that the conditions and requirements of the Companies Act shall be observed and complied with, and in each case the commission shall not exceed 10% of the price at which the Shares are issued.

Company may pay
commission

- (b) If any Shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable within a period of one year, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and, subject to any conditions and restrictions mentioned in the Companies Act, may charge the sum so paid by way of interest to capital as part of the cost of construction of the works or buildings, or the provisions of the plant.

13. The Company may from time to time by Ordinary Resolution:

- (a) increase its share capital as provided by Article 7;
- (b) consolidate or divide all or any of its share capital into Shares of larger or smaller amount than its existing Shares; and on any consolidation of fully paid Shares into Shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interest or may be paid to the Company for the Company's benefit;

Increase in capital,
consolidation and
division of capital
and subdivision,
cancellation
of shares and
redemption
etc.

- (c) divide its Shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Board may determine;
 - (d) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-division, one or more of the Shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new Shares;
 - (e) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled;
 - (f) make provision for the issue and allotment of Shares which do not carry any voting rights;
 - (g) change the currency of denomination of its share capital; and
 - (h) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.
14. The Company may by Special Resolution reduce its share capital or any capital redemption reserve or other undistributable reserve in any way, and subject to any conditions prescribed, by law. Reduction of capital
15. (a) Subject to the Companies Act, the Memorandum of Association and the Articles and, where applicable, the requirements and the rules of the HK Stock Exchange and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Act. The Company is hereby authorised to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the Companies Act. Subject to compliance with the rules and regulations of the HK Stock Exchange and any other competent regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. The Board may accept the surrender for no consideration of any fully paid Shares. No share shall be issued to bearer. Company to purchase its own securities and to finance the same
- (b) Subject to the provisions of the Companies Act and the Memorandum of Association of the Company, and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, Shares may be issued on the terms that they may, at the option of the Company or the holders thereof, be liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

- (c) Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting, and if purchases are by tender, tenders must be made available to all Shareholders alike.
- (d) The purchase or redemption of any Share shall not be deemed to give rise to the purchase or redemption of any other Share.
- (e) The holder of the Shares being purchased or redeemed shall be bound to deliver up to the Company at the Head Office or such other place as the Board shall specify the certificate(s) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

REGISTER OF SHAREHOLDERS AND SHARE CERTIFICATES

16. Except as otherwise expressly provided by these Articles or as required by law or as ordered by a court of competent jurisdiction, no person shall be recognised by the Company as holding any Share upon any trust and, except as aforesaid, the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or any interest in any fractional part of a Share or any other right or claim to or in respect of any Shares except an absolute right to the entirety thereof of the registered holder.
17.
 - (a) The Board shall cause to be kept the Register and there shall be entered therein the particulars required under the Companies Act. Share Register
 - (b) Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a principal or branch register of Shareholders at such location as the Board thinks fit and, during the Relevant Period, the Company shall keep its principal or a branch register of Shareholders in Hong Kong. Local or branch register
 - (c) During the Relevant Period (except when the Register is closed in accordance with these Articles), the Register shall be open to inspection during business hours by any Shareholder without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the Register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of Shareholders is kept, and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.
 - (d) The registration of transfers may be suspended and the Register may be closed on giving notice by advertisement in any Newspapers or by any other means in accordance with the requirements of the HK Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine.

18. (a) Every person whose name is entered as a Shareholder in the Register shall be entitled to receive within the relevant time limit as prescribed in the Companies Act or as the HK Stock Exchange may from time to time determine, whichever is shorter, after allotment or lodgement of a transfer (or within such other period as the conditions of issue shall provide or is required by the applicable rules of the stock exchange of the Relevant Territory) one certificate for all his Shares, or, if he shall so request, in a case where the allotment or transfer is of a number of Shares in excess of the number for the time being forming a stock exchange board lot for the purposes of the stock exchange of the Relevant Territory on which the Shares are listed upon payment of such sum (in the case of a transfer, not exceeding in the case of any share capital listed on a stock exchange in Hong Kong, HK\$2.50 or such other sum as may from time to time be allowed or not prohibited under the Listing Rules, and in the case of any other Shares, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant Register is situated, or otherwise such other sum as the Company may by Ordinary Resolution determine) for every certificate after the first as the Board may from time to time determine, such number of certificates for Shares in stock exchange board lots or whole multiples thereof as he shall request and one for the balance (if any) of the Shares in question, provided that in respect of a Share or Shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each such person, and the issue and delivery of a certificate or certificates to one of the joint holders shall be sufficient delivery to all such holders. Share certificates
- (b) The Company may, in the event of a change in the form of definitive Share certificate adopted by the Board, issue new definitive certificates to all holders of Shares appearing on the Register in replacement of old definitive certificates issued to such holders. The Board may resolve whether or not to require the return of the old certificates as a condition precedent to the issue of replacement certificates and, as regards any old certificates which have been lost or defaced, to impose such conditions (including as to indemnity) as the Board shall see fit. If the Board elects not to require the return of the old certificates, the same shall be deemed to have been cancelled and of no further effect for all purposes.
19. Every certificate for Shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the Seal of the Company, which for this purpose may be a duplicate Seal. Share certificates
to be sealed
20. Every share certificate hereafter issued shall specify the number and class of Shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of Shares, and where the capital of the Company includes Shares with different voting rights, the designation of each class of Shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of Shares. Share certificate
to specify number
and class of shares

21. (a) The Company shall not be bound to register more than four persons as joint holders of any Share. Joint holders
- (b) If any Shares shall stand in the names of two or more persons, the person first named in the Register shall be deemed to be sole holder thereof as regards service of notice and, subject to the provisions of these Articles, all or any other matter connected with the Company, except the transfer of the Share.
22. If a share certificate is defaced, lost or destroyed, it may be replaced on payment of such fee, if any, (not exceeding, in the case of any share capital listed on a stock exchange in Hong Kong, HK\$2.50 or such other sum as may from time to time be allowed or not prohibited under the Listing Rules, and, in the case of any other capital, such sum in such currency as the Board may from time to time determine to be reasonable in the territory in which the relevant Register is situated, or such other sum as the Company may by Ordinary Resolution determine) as the Board shall from time to time determine and on such terms and conditions, if any, as to publication of notices, evidence and indemnity as the Board thinks fit and in the case of wearing out or defacement, after delivery up of the old certificate. In the case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Company all costs and out-of-pocket expenses incidental to the investigation by the Company of the evidence of such destruction or loss and of such indemnity. Replacement of share certificates

LIEN

23. The Company shall have a first and paramount lien on every Share (not being a fully paid Share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of that Share; and the Company shall also have a first and paramount lien and charge on all Shares (other than fully paid-up Shares) standing registered in the name of a Shareholder, whether singly or jointly with any other person or persons, for all the debts and liabilities of such Shareholder or his estate to the Company and whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such Shareholder, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder of the Company or not. The Company's lien (if any) on a Share shall extend to all Dividends and bonuses declared in respect thereof. The Board may at any time either generally or in any particular case waive any lien that has arisen, or declare any Share to be exempt wholly or partially from the provisions of this Article. Company's lien
24. The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of the sum presently payable or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of intention to sell in default, shall have been given, in the manner in which notices may be sent to Shareholders of the Company as provided in these Articles, to the registered holder for the time being of the Shares, or the person entitled by reason of such holder's death, bankruptcy or winding-up to the Shares. Sale of shares subject to lien

25. The net proceeds of such sale after the payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debt or liability or engagement in respect whereof the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the Shares prior to the sale) be paid to the person entitled to the Shares at the time of the sale. For the purpose of giving effect to any such sale, the Board may authorise some person to transfer the Shares sold to the purchaser thereof and may enter the purchaser's name in the Register as holder of the Shares, and the purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

Application of
proceeds of sale

CALLS ON SHARES

26. The Board may from time to time make such calls as it thinks fit upon the Shareholders in respect of any moneys unpaid on the Shares held by them respectively (whether on account of the nominal value of the Shares or by way of premiums) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one sum or by instalments.
27. At least 14 days' notice of any call shall be given to the relevant Shareholders specifying the time and place of payment and to whom such call shall be paid.
28. A copy of the notice referred to in Article 27 shall be sent to relevant Shareholders in the manner in which notices may be sent to Shareholders by the Company as herein provided.
29. In addition to the giving of notice in accordance with Article 28, notice of the person appointed to receive payment of every call and of the times and places appointed for payment may be given to the relevant Shareholders by notice to be inserted at least once in the Newspapers.
30. Every Shareholder upon whom a call is made shall pay the amount of every call so made on him to the person and at the time or times and place or places as the Board shall appoint.
31. A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed.
32. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share or other moneys due in respect thereof.
33. The Board from time to time at its discretion may extend the time fixed for any call, and may extend such time as regards all or any of the Shareholders, whom due to residence outside the Relevant Territory or other cause the Board may deem entitled to any such extension but no Shareholder shall be entitled to any such extension except as a matter of grace and favour.
34. If the sum payable in respect of any call or instalment is not paid before or on the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of the actual payment, but the Board may waive payment of such interest wholly or in part.

Calls/instalments

Notice of call

Copy of notice
to be sent to
shareholders

Notice of call may
be given

Time and place for
payment of call

When call deemed
to have been made

Liability of joint
holders

Board may extend
time fixed for call

Interest on unpaid
calls

35. No Shareholder shall be entitled to receive any Dividend or bonus or to be present or vote (save as proxy or authorised representative for another Shareholder) at any general meeting, either personally, or (save as proxy or authorised representative for another Shareholder) by proxy, or be reckoned in a quorum, or to exercise any other privilege as a Shareholder until all calls or instalments due from him to the Company, whether alone or jointly or jointly and severally with any other person, together with interest and expenses (if any) shall have been paid. Suspension of privileges while call unpaid
36. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Shareholder sued is entered in the Register as the holder, or one of the holders, of the Shares in respect of which such debt accrues; that the resolution of the Board making the call has been duly recorded in the minute book of the Board; and that notice of such call was given to the Shareholder sued, in pursuance of these Articles, and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt. Evidence in action for call
37. (a) Any sum which by the terms of allotment of a Share is made payable upon allotment or at any fixed date, whether on account of the nominal value of the Share and/or by way of premium, shall for all purposes of these Articles be deemed to be a call duly made and notified and payable on the date fixed for payment, and in case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture and the like, shall apply as if such sums had become payable by virtue of a call duly made and notified. Sums payable on allotment deemed a call
- (b) The Board may on the issue of Shares differentiate between the allottees or holders as to the amount of calls to be paid and the time of payment. Shares may be issued subject to different conditions as to calls, etc.
38. The Board may, if it thinks fit, receive from any Shareholder willing to advance the same, and either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any), as the Board may decide but a payment in advance of a call shall not entitle the Shareholder to receive any Dividend subsequently declared or to exercise any other rights or privileges as a Shareholder in respect of the Share or the due portion of the Shares upon which payment has been advanced by such Shareholder before it is called up. The Board may at any time repay the amount so advanced upon giving to such Shareholder not less than one Month's notice in writing of its intention on that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the Shares in respect of which it was advanced.

TRANSFER OF SHARES

39. Subject to these Articles and the Companies Act, all transfers of Shares shall be effected by an instrument of transfer in writing in the usual or common form or in such other form as the Board may approve provided always that it shall be in such a form prescribed by the HK Stock Exchange and may be under hand only or, if the transferor or transferee is a Clearing House (or its nominee(s)), under hand or by machine imprinted signature or by such other means of execution as the Board may approve from time to time. Form of transfer

40. The instrument of transfer of any Share shall be executed by or on behalf of the transferor and by or on behalf of the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or the transferee or accept mechanically executed transfers in any case in which it in its absolute discretion thinks fit to do so. The transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any Share by the allottee in favour of some other person. Execution of transfer
41. (a) The Board may, in its absolute discretion at any time and from time to time, transfer any Share upon the principal Register to any branch Register or any Share on any branch Register to the principal Register or any other branch Register. Shares registered on principal register, branch register, etc.
- (b) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time stipulate, and which agreement it shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold) no Shares on the principal Register shall be removed to any branch Register nor shall Shares on any branch Register be removed to the principal Register or any other branch Register and all removals and other documents of title relating to or affecting the title to any share or other securities of the Company shall be lodged for registration, and be registered, in the case of any Shares on a branch Register, at the relevant Registration Office, and, in the case of any Shares on the principal Register, at the Transfer Office.
- (c) Notwithstanding anything contained in these Articles, the Company shall as soon as practicable and on a regular basis record in the principal Register all removals of Shares effected on any branch Register and shall at all times maintain the principal Register and all branch Registers in all respects in accordance with the Companies Act.
42. Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the HK Stock Exchange) and shall also be free from all liens. The Board however, may, in its absolute discretion, refuse to register a transfer of any Share which is not fully paid to a person of whom it does not approve or any Share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register a transfer of any Share (whether fully paid up or not) to more than four joint holders or a transfer of any Shares (not being a fully paid up Share) on which the Company has a lien. Directors may refuse to register a transfer
43. The Board may also decline to recognise any instrument of transfer unless:
- (a) a fee of such maximum as the HK Stock Exchange may from time to time determine to be payable (or such lesser sum as the Board may from time to time require) has been paid to the Company; Requirement as to transfer
- (b) the instrument of transfer is lodged at the relevant Registration Office, the registered office of the Company or, as the case may be, the Transfer Office accompanied by the certificate of the Shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do);

- (c) the instrument of transfer is in respect of only one class of Share;
 - (d) the Shares concerned are free of any lien in favour of the Company; and
 - (e) if applicable, the instrument of transfer is properly stamped.
44. The Board may refuse to register a transfer of any Share to an infant or to a person of unsound mind or under other legal disability. No transfer to an infant
45. If the Board shall refuse to register a transfer of any Share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal and, except where the subject Share is not a fully paid Share, the reason(s) for such refusal. Notice of refusal
46. Upon every transfer of Shares, the certificate in respect thereof held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the Shares transferred to him as provided in Article 18, and if any of the Shares included in the certificate so given up shall be retained by the transferor a new certificate in respect thereof shall be issued to him as provided in Article 18. The Company shall retain the instrument of transfer. Certificate to be given up on transfer
47. The registration of transfers may be suspended when the Register is closed in accordance with Article 17(d). When transfer books or register is closed

TRANSMISSION OF SHARES

48. In the case of the death of a Shareholder, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the Shares; but nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any Share solely or jointly held by him. Deaths of registered holder or of joint holder of shares
49. Any person becoming entitled to a Share in consequence of the death or bankruptcy or winding-up of a Shareholder may, upon such evidence as to his title being produced as may from time to time be required by the Board, and subject as hereinafter provided, elect either to be registered himself as holder of the Share or to have some person nominated by him registered as the transferee thereof. Registration of personal representatives and trustees in bankruptcy
50. If the person becoming entitled to a Share pursuant to Article 49 shall elect to be registered himself as the holder of such Share, he shall deliver or send to the Company a notice in writing signed by him, at (unless the Board otherwise agrees) the Registration Office, stating that he so elects. If he shall elect to have his nominee registered, he shall testify his election by executing a transfer of such Share to his nominee. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of Shares shall be applicable to any such notice or transfer as aforesaid as if the death, bankruptcy or winding-up of the Shareholder had not occurred and the notice or transfer were a transfer executed by such Shareholder. Notice of election to be registered of nominee and registration

51. A person becoming entitled to a Share by reason of the death, bankruptcy or winding-up of the holder shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the Share. However, the Board may, if it thinks fit, withhold the payment of any Dividend payable or other advantages in respect of such Share until such person shall become the registered holder of the Share or shall have effectually transferred such Share, but, subject to the requirements of Article 80 being met, such a person may vote at general meetings of the Company.

Retention of dividends, etc. until transmission of shares of a deceased or bankrupt shareholder

FORFEITURE OF SHARES

52. If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, without prejudice to the provisions of Article 34, serve notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment.
53. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made such place being the Registered Office or a Registration Office or another place within the Relevant Territory. The notice shall also state that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.
54. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all Dividends and bonuses declared in respect of the forfeited Share and not actually paid before the forfeiture. The Board may accept the surrender of any Share liable to be forfeited hereunder and in such cases references in these Articles to forfeiture shall include surrender.
55. Any Share so forfeited shall be deemed to be the property of the Company, and may be re-allotted, sold or otherwise disposed of on such terms and in such manner as the Board thinks fit and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board thinks fit.
56. A person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited Shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment (including the payment of such interest) at such rate not exceeding 20% per annum as the Board may determine, and the Board may enforce the payment thereof if it thinks fit, and without any deduction or allowance for the value of the Shares at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the Shares. For the purposes of this Article any sum which by the terms of issue of a Share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the Share or by way of premium, shall notwithstanding that such time has not yet arrived be deemed to be payable on the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

If call or instalment not paid notice may be given

Content of notice of call

If notice not complied with shares may be forfeited

Forfeited shares to become property of Company

Arrears to be paid notwithstanding forfeiture

57. A certificate in writing that the declarant is a Director or the Secretary, and that a Share has been duly forfeited or surrendered on a date stated in the certificate, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share. The Company may receive the consideration, if any, given for the Share on any re-allotment, sale or disposition thereof and may execute a transfer of the Share in favour of the person to whom the Share is re-allotted, sold or disposed of and such person shall thereupon be registered as the holder of the Share, and shall not be bound to see to the application of the subscription or purchase money, (if any), nor shall his title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, re-allotment, sale or disposal of such Share. Evidence of forfeiture and transfer of forfeited share
58. When any Share shall have been forfeited, notice of the forfeiture shall be given to the Shareholder in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry. Notice after forfeiture
59. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any Shares so forfeited shall have been re-allotted, sold or otherwise disposed of, cancel the forfeiture on such terms as it thinks fit or permit the Shares so forfeited to be bought back or redeemed upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the Shares, and upon such further terms (if any) as it thinks fit. Power to redeem forfeited shares
60. The forfeiture of a Share shall not prejudice the right of the Company to any call already made or any instalment payment thereon. Forfeiture not to prejudice Company's right to call or instalment
61. (a) The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by terms of issue of a Share, becomes payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified. Forfeiture for non-payment of any sum due on shares
- (b) In the event of a forfeiture of Shares the Shareholder shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the Shares so forfeited and in any event the certificates representing Shares so forfeited shall be void and of no further effect.

GENERAL MEETINGS

- App.3 Para 14(1) 62. Other than the year of the Company's adoption of these Articles, in each financial year during the Relevant Period the Company shall hold a general meeting as its annual general meeting within six Months after the end of each financial year in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it. The annual general meeting shall be held in the Relevant Territory or elsewhere as may be determined by the Board and at such time and place as the Board shall appoint. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence at such meetings. When annual general meeting to be held

63. All general meetings other than annual general meetings shall be called extraordinary general meetings. Extraordinary general meeting
- App.3 Para 14(5) 64. The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings 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 in the share capital of the Company, and the foregoing Shareholders 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 extraordinary general meeting 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. Convening of extraordinary general meeting
- App.3 Para 14(2) 65. An annual general meeting of the Company shall be called by not less than 21 clear days' notice in writing. All other general meetings (including an extraordinary general meeting) shall be called by at least 14 clear days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time and place and the agenda of the meeting and particulars of the resolutions to be considered at that meeting and in case of special business (as defined in Article 67), the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under these Articles, entitled to receive such notices from the Company, provided that a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called, subject to the Companies Act and the Listing Rules if it is so agreed: Notice of meetings
- (a) in the case of a meeting called as the annual general meeting, by all the Shareholders entitled to attend and vote thereat; and
 - (b) in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.
66. (a) The accidental omission to give any notice to, or the non-receipt of any notice by, any person entitled to receive notice shall not invalidate any resolution passed or any proceedings at any such meeting. Omission to give notice
- (b) In the case where forms of proxy or notice of appointment of corporate representative are to be sent out with any notice, the accidental omission to send such forms of proxy or notice of appointment of corporate representative to, or the non-receipt of such forms by, any person entitled to receive notice of the relevant meeting shall not invalidate any resolution passed or any proceeding at any such meeting.

PROCEEDINGS AT GENERAL MEETINGS

67. (a) All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, each of which shall be deemed an ordinary business: Special business, business of annual general meeting
- (i) the declaration and sanctioning of Dividends;
 - (ii) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheets;
 - (iii) the election of Directors whether by rotation or otherwise in place of those retiring;
 - (iv) the appointment of Auditors and other officers;
 - (v) the fixing of, or the determining of the method of fixing of the remuneration of the Directors and of the Auditors;
 - (vi) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued Shares representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (vii) of this Article; and
 - (vii) the granting of any mandate or authority to the Board to repurchase securities of the Company.
68. For all purposes the quorum for a general meeting shall be two Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and entitled to vote. No business shall be transacted at any general meeting unless the requisite quorum shall be present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting. Quorum
69. If within 15 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board, and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the Shareholder or the Shareholders present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and entitled to vote shall be a quorum and may transact the business for which the meeting was called. When quorum is not present meeting to be dissolved and when to be adjourned

70. The chairman (if any) of the Company or if he is absent or declines to take the chair at such meeting, the Vice chairman (if any) of the Company shall take the chair at every general meeting, or, if there be no such chairman or Vice chairman, or, if at any general meeting neither of such chairman or Vice chairman is present within 15 minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be chairman of the meeting. chairman of general meeting
71. The chairman of the meeting may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for 14 days or more, at least seven clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no notice of an adjournment or of the business to be transacted at any adjourned meeting needs to be given nor shall any Shareholder be entitled to any such notice. No business shall be transacted at an adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place. Power to adjourn general meeting, business of adjourned meeting
72. At any general meeting a resolution put to the vote of the meeting shall be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by: Poll show of hands and demand for poll
- (a) at least two Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
 - (b) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the Shareholders having the right to vote at the meeting; or
 - (c) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.
73. Where a resolution is voted on by a show of hands, a declaration by the chairman of the meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded in favour of or against such resolution. What is to be evidence of the passing of a resolution

74. A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place as the chairman of the meeting directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. In the event that a poll is demanded after the chairman of the meeting allows a show of hands pursuant to Article 72, the demand for a poll may be withdrawn, with the consent of the chairman of the meeting, at any time before the close of the meeting at which the poll was demanded or the taking of the poll, whichever is the earlier. Poll
75. Any poll on the election of a chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.
76. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote, the chairman of the meeting shall determine the same, and such determination shall be final and conclusive. chairman to have casting vote
77. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. Business may proceed notwithstanding demand for poll
78. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution or a Supermajority Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon. Amendment of resolutions

VOTES OF SHAREHOLDERS

79. Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Shares, at any general meeting on a poll every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy, shall have one vote for every Share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments shall be treated for the purposes of this Article as paid on the Share), and on a show of hands every Shareholder who is present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall (save as provided otherwise in this Article) have one vote. On a poll a Shareholder entitled to more than one vote need not use all his votes or cast all his votes in the same way. Notwithstanding anything contained in these Articles, where more than one proxy is appointed by a Shareholder which is a Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands and on a poll, each such proxy is under no obligation to cast all his votes in the same way. Votes of shareholders
- App.3 Para 14(3) 79A Shareholders must have the right to: (a) speak at general meetings of the Company; and (b) vote at a general meeting except where a Shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

79B Where the Company has any knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

80. Any person entitled under Article 51 to be registered as the holder of any Shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such Shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposes to vote, he shall satisfy the Board of his right to be registered as the holder of such Shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

Votes in respect
of deceased
and bankrupt
shareholders

81. In the case of joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding. Several executors or administrators of a deceased Shareholder, and several trustees in bankruptcy or liquidators of a Shareholder in whose name any Share stands shall for the purposes of this Article be deemed joint holders thereof.

Joint holders

82. A Shareholder who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such court, and such receiver, committee, curator bonis or other person may vote by proxy, and may otherwise act and be treated as if he were the registered holder of such Shares for the purposes of the general meetings. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote shall be delivered to such place or one of such places (if any) as is specified in accordance with these Articles for the deposit of instruments of proxy or, if no place is specified, at the Registration Office, not later than the latest time at which an instrument of proxy must, if it is to be valid for the meeting, be delivered.

Votes of
shareholders of
unsound mind

83. Save as expressly provided in these Articles or otherwise determined by the Board, no person other than a Shareholder duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his Shares shall be entitled to be present or to vote (save as proxy or authorised representative for another Shareholder) whether personally, by proxy or by attorney or to be reckoned in the quorum, at any general meeting.

Qualification for
voting

84. No objection shall be raised to the qualification of any person exercising or purporting to exercise a vote or the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Objections to
votes

APPOINTMENT OF PROXY AND CORPORATE REPRESENTATIVE

85. Any Shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Shareholder of the Company, and that every Shareholder being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer. On a poll or a show of hands votes may be given either personally (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy. A proxy shall be entitled to exercise the same powers on behalf of a Shareholder who is an individual and for whom he acts as proxy as such Shareholder could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he acts as proxy as such Shareholder could exercise if it were an individual Shareholder.
86. No appointment of a proxy shall be valid unless it names the person appointed and his appointor. The Board may, unless it is satisfied that the person purporting to act as proxy is the person named in the relevant instrument for his appointment and the validity and authenticity of the signature of his appointor, decline such person's admission to the relevant meeting, reject his vote or, in the event that a poll is demanded after the chairman of the meeting allows a show of hands pursuant to Article 72, his demand for a poll and no Shareholder who may be affected by any exercise by the Board of its power in this connection shall have any claim against the Directors or any of them nor may any such exercise by the Board of its powers invalidate the proceedings of the meeting in respect of which they were exercised or any resolution passed or defeated at such meeting.
87. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
88. The instrument appointing a proxy and, if requested by the Board, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at such place or one of such places (if any) as is specified in the notice of meeting or in the instrument of proxy issued by the Company (or, if no place is specified, at the Registration Office) not less than 48 hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 Months from the date of its execution, except at an adjourned meeting where the meeting was originally held within 12 Months from such date. Delivery of an instrument appointing a proxy shall not preclude a Shareholder from attending and voting in person (or in the case of a Shareholder being a corporation, its duly authorised representative) at the meeting concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

Proxies

Instrument
appointing proxy
to be in writing

Appointment of
proxy must be
deposited

89. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in any common form or in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a Shareholder for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or annual general meeting at which any business is to be transacted shall be such as to enable the Shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business. Form of proxy
90. The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates. Authority under instrument appointing proxy
91. A vote given in accordance with the terms of an instrument of proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy was executed or the transfer of the Share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its Registration Office, or at such other place as is referred to in Article 88, at least two hours before the commencement of the meeting or adjourned meeting at which the proxy is used. When vote by proxy valid though authority revoked
92. (a) Any corporation which is a Shareholder may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Shareholders of the Company, and the person so authorised shall be entitled to exercise the same rights and powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual Shareholder of the Company. References in these Articles to a Shareholder present in person at a meeting shall, unless the context otherwise requires, include a corporation which is a Shareholder represented at the meeting by such duly authorised representative. Appointment of multiple corporate representatives
- (b) Where a Clearing House (or its nominee(s)) is a Shareholder, it may (subject to Article 93) authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of Shareholders (including but not limited to any general meeting and creditors meeting) provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such representative is so authorised. A person so authorised pursuant to the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) which he represents as that Clearing House (or its nominee(s)) could exercise as if such person were an individual Shareholder, including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

93. Unless the Board agrees otherwise, an appointment of a corporate representative shall not be valid as against the Company unless:
- (a) in the case of such an appointment by a Shareholder which is a Clearing House (or its nominee(s)), a written notification of the appointment issued by any director, the secretary or any authorised officer(s) of such Shareholder shall have been delivered at such place or one of such places (if any) as is specified in the notice of meeting or in the form of notice issued by the Company, or handed to the chairman of the meeting at the meeting or, if no place is specified, at the principal place of business maintained by the Company in the Relevant Territory from time to time before the time of holding the meeting or adjourned meeting at which the person so authorised proposes to vote or handed to the chairman of the meeting at the meeting; and
 - (b) in the case of such an appointment by any other corporate Shareholder, a copy of the resolution of its directors or other governing body of the Shareholder authorising the appointment of the corporate representative or a form of notice of appointment of corporate representative issued by the Company for such purpose or a copy of the relevant power of attorney, together with an up-to-date copy of the Shareholder's constitutive documents and a list of directors or members of the governing body of the Shareholder as at the date of such resolution, or, as the case may be, power of attorney, in each case certified by a director, secretary or a member of the governing body of that Shareholder and notarised, or, in the case of a form of notice of appointment issued by the Company as aforesaid, completed and signed in accordance with the instructions thereon or in the case of a power of attorney a notarised copy of the relevant authority under which it was signed, shall have been deposited at such place or one of such places (if any) as is specified in the notice of meeting or in the form of notice issued by the Company as aforesaid (or, if no place is specified, at the Registration Office) not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the corporate representative proposes to vote.
94. No appointment of a corporate representative shall be valid unless it names the person authorised to act as the appointor's representative and the appointor is also named. The Board may, unless it is satisfied that a person purporting to act as a corporate representative is the person named in the relevant instrument for his appointment, decline such person's admission to the relevant meeting and/or reject his vote or demand for a poll and no Shareholder who may be affected by any exercise by the Board of its power in this connection shall have any claim against the Board or any of them nor may any such exercise by the Board of its powers invalidate the proceedings of the meeting in respect of which they were exercised or any resolution passed or defeated at such meeting.

REGISTERED OFFICE

95. The Registered Office of the Company shall be at such place in the Cayman Islands as the Board shall from time to time decide.

BOARD OF DIRECTORS

96. The number of Directors shall not be less than two (2). The Company shall keep at its Registered Office a register of its directors and officers in accordance with the Companies Act. Number of Directors
97. A Director may at any time, by notice in writing signed by him delivered to the Registered Office or at the Head Office or at a meeting of the Board, appoint any person (including another Director) to act as alternate Director in his place during his absence and may in like manner at any time terminate such appointment. If such person is not another Director such appointment unless previously approved by the Board shall have effect only upon and subject to being so approved. The appointment of an alternate Director shall terminate on the happening of any event which, were he a Director, would cause him to vacate such office or if his appointor ceases to be a Director. An alternate Director may act as alternate to more than one Director. Alternate Directors
98. (a) An alternate Director shall (subject to his giving to the Company an address, telephone and facsimile number within the territory of the Head Office for the time being for the giving of notices on him and except when absent from the territory in which the Head Office is for the time being situate) be entitled (in addition to his appointor) to receive and (in lieu of his appointor) to waive notices of meetings of the Board and of any committee of the Board of which his appointor is a member and shall be entitled to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a Director. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director his voting rights shall be cumulative. If his appointor is for the time being absent from the territory in which the Head Office is for the time being situate or otherwise not available or unable to act, his signature to any resolution in writing of the Directors or any such committee shall be as effective as the signature of his appointor. His attestation of the affixing of the Seal shall be as effective as the signature and attestation of his appointor. An alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles. Rights of Alternate Directors
- (b) An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director, but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the ordinary remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.
- (c) A certificate by a Director (including for the purpose of this paragraph (c) an alternate Director) or the Secretary that a Director (who may be the one signing the certificate) was at the time of a resolution of the Directors or any committee thereof absent from the territory of the Head Office or otherwise not available or unable to act or has not supplied an address, telephone and facsimile number within the territory of the Head Office for the purposes of giving of notice to him shall in favour of all persons without express notice to the contrary, be conclusive of the matter so certified.

99. A Director or an alternate Director shall not be required to hold any qualification Shares but shall nevertheless be entitled to attend and speak at all general meetings of the Company and all meetings of any class of Shareholders of the Company. Share qualification of Directors or alternate Directors
100. The Directors shall be entitled to receive by way of ordinary remuneration for their services as Directors such sum as shall from time to time be determined by the Company in general meeting or by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the ordinary remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office. Directors' remuneration
101. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them respectively in or about the performance of their duties as Directors, including their expenses in attending or of travelling to and from Board meetings, committee meetings or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise incurred whilst engaged on the business of the Company or in connection with the discharge of their duties as Directors. Directors' expenses
102. The Board may grant special or extra remuneration as the Board may determine to any Director who, at the request of the Company, shall go or reside abroad or has gone or has resided abroad for any purpose of the Company or shall perform or has performed any special or extra services which in the opinion of the Board go beyond the ordinary duties of such Director. Such special or extra remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Special remuneration
103. Notwithstanding Articles 100, 101 and 102, the remuneration of an executive director or a Director appointed to the office of a managing director, joint managing director, deputy managing director or any other executive office in the management of the Company may from time to time be fixed by the Board and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his ordinary remuneration as a Director. Remuneration of managing directors, etc.
104. (a) Payments to any Director or past director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director of the Company or past director is contractually or statutorily entitled) must be approved by the Company in general meeting. Payments for compensation for loss of office

- (b) Except as would, if the Company were a company incorporated in Hong Kong, be permitted by the Companies Ordinance as in force at the date of adoption of these Articles, and except as permitted under the Companies Act, the Company shall not directly or indirectly:
- (i) make a loan to a Director or a director of any Holding Company of the Company or any of their respective Close Associates;
 - (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any Holding Company of the Company or any of their respective Close Associates; or
 - (iii) if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.
- (c) Article 104(a) and (b) shall only apply during the Relevant Period.

Loans to Directors

105. A Director shall vacate his office:

- (a) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated; or
- (c) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board pass a resolution that he has by reason of such absence vacated his office; or
- (d) if he becomes prohibited by law from acting as a Director, or he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to these Articles; or
- (e) if he has been validly required by the stock exchange of the Relevant Territory to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (f) if by notice in writing delivered to the Company at its Registered Office or at the Head Office or tendered at a meeting of the Board he resigns his office; or
- (g) if he shall be removed from office by an Ordinary Resolution of the Company under Article 114; or

When office of
Director to be
vacated

- (h) if he shall be removed from the office by notice in writing served on him signed by not less than $\frac{3}{4}$ in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.
106. No Director shall be required to vacate office or be ineligible for re-election or re-appointment as a Director, and no person shall be ineligible for appointment as a Director by reason only of his having attained any particular age.
107. (a) No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company or the members for any remuneration, profits or other benefits so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.
- (b) Any Director may continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or any other company in which the Company may be interested and (unless otherwise agreed between the Company and the Director) no such Director shall be liable to account to the Company or the Shareholders for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them as directors, managing directors, joint managing directors, deputy managing director, executive directors, managers or other officers of such company, or voting or providing for the payment of remuneration to the directors or officers of such other company) and any Director may vote in favour of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in the manner aforesaid.

Directors' interests

- (c) A Director may hold any other office or place of profit with the Company (except that of Auditors) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profit or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Articles.
- (d) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his Close Associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:
 - (i) the giving of any security or indemnity either:
 - (A) to the Director or his Close Associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (B) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Close Associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal, contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Close Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his Close Associate(s) may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, their Close Associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his Close Associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (iv) any contract or arrangement in which the Director or his Close Associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

- (e) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of or terminating the appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals shall be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not prohibited from voting under paragraph (d)) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (f) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his Close Associates or as to the entitlement of any Director (other than the chairman of the meeting) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his Close Associates concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting or his Close Associates such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or his Close Associates as known to him has not been fairly disclosed to the Board.

APPOINTMENT AND ROTATION OF DIRECTORS

108. (a) Notwithstanding any other provisions in these Articles, at each annual general meeting 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 at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.
- (b) The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.
- (c) A Director is not required to retire upon reaching any particular age.

Rotation and
retirement of
Directors

109. If at any general meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled, the retiring Directors or such of them as have not had their places filled shall be deemed to have been re-elected and shall, if willing, continue in office until the next annual general meeting and so on from year to year until their places are filled, unless:
- (a) it shall be determined at such meeting to reduce the number of Directors; or
 - (b) it is expressly resolved at such meeting not to fill such vacated offices; or
 - (c) in any such case the resolution for re-election of a Director is put to the meeting and lost; or
 - (d) such Director has given notice in writing to the Company that he is not willing to be re-elected.
110. The Company in general meeting may from time to time fix and may from time to time by Ordinary Resolution increase or reduce the maximum and minimum number of Directors but so that the number of Directors shall not be less than two (2).
111. The Company may from time to time in general meeting by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall be subject to retirement by rotation pursuant to Article 108.
112. 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 but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. 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. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.
113. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgement of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Retiring Directors
to remain in office
until successors
appointed

Power of
general meeting
to increase or
reduce number of
Directors

Appointment of
Directors

App.3 Para 4(2)

Notice of proposed
Director to be
given

114. The Shareholders may by Ordinary Resolution remove any Director (including a managing director or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by Ordinary Resolution appoint another person in his stead. Any Director so appointed shall be subject to retirement by rotation pursuant to Article 108.

Power to
remove Director
by Ordinary
Resolution

BORROWING POWERS

115. The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge all of its undertaking, property and uncalled capital or any part thereof.
116. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular but subject to the provisions of the Companies Act, by the issue of debentures, debenture stock, bonds and/or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
117. Debentures, debenture stock, bonds and other securities (other than Shares which are not fully paid) may be made assignable free from any equities between the Company and the person to whom the same may be issued.
118. Any debentures, debenture stock, bonds or other securities (other than Shares) may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment or subscription of or conversion into Shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.
119. The Directors shall cause a proper register to be kept, in accordance with the provisions of the Companies Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with such provisions of the Companies Act with regard to the registration of mortgages and charges as may be specified or required.
120. If the Company issues a series of debentures or debenture stock not transferable by delivery, the Board shall cause a proper register to be kept of the holders of such debentures.
121. Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Shareholders or otherwise, to obtain priority over such prior charge.

Power to borrow

Conditions on
which money may
be borrowed

Assignment of
debentures etc.

Special privileges
of debentures etc.

Register of
charges to be kept

Register of
debentures or
debenture stock

Mortgage of
uncalled capital

MANAGING DIRECTORS, ETC.

122. The Board may from time to time appoint any one or more of them to the office of managing director, joint managing director, deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it thinks fit and upon such terms as to remuneration as it may decide in accordance with Article 103.

Power to appoint
managing
directors, etc.

123. Every Director appointed to an office under Article 122 hereof shall, but without prejudice to any claim for damages for breach of any contract of service between himself and the Company, be liable to be dismissed or removed therefrom by the Board. Removal of managing directors, etc.
124. A Director appointed to an office under Article 122 shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and he shall ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause. Cessation of appointment
125. The Board may from time to time entrust to and confer upon a chairman, vice chairman, managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose, and, subject to the terms thereof, the said powers may at any time be withdrawn, revoked or varied, but no person dealing in good faith and without notice of such withdrawal, revocation or variation shall be affected thereby. Power may be delegated
126. The Board may from time to time appoint any person to an office or employment having a designation or title including the word “director” or attach to any existing office or employment with the Company such a designation or title. The inclusion of the word “director” in the designation or title of any office or employment with the Company (other than the office of managing director or joint managing director or deputy managing director or executive director) shall not imply that the holder thereof is a Director nor shall such holder be empowered in any respect to act as a Director or be deemed to be a Director for any of the purposes of these Articles.

MANAGEMENT

127. The business of the Company shall be managed by the Board who, in addition to the powers and authorities by these Articles expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not hereby or by the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of these Articles and to any regulations from time to time made by the Company in general meeting not being inconsistent with such provisions or these Articles, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made. General powers of Company vested in Directors
128. Without prejudice to the general powers conferred by these Articles, it is hereby expressly declared that the Board shall have the following powers:
- (a) to give to any person the right or option of requiring at a future date that an allotment shall be made to him of any Share at par or at such premium and on such other terms as may be agreed; and
 - (b) to give to any Directors, officers or employees of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration.

MANAGERS

129. The Board may from time to time appoint a general manager, manager or managers of the business of the Company and may fix his or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and pay the working expenses of any of the staff of the general manager, manager or managers who may be employed by him or them upon the business of the Company. Appointment and remuneration of managers
130. The appointment of such general manager, manager or managers may be for such period as the Board may decide and the Board may confer upon him or them all or any of the powers of the Board and such title or titles as it may think fit. Terms of office and powers
131. The Board may enter into such agreement or agreements with any such general manager, manager or managers upon such terms and conditions in all respects as it may in its absolute discretion think fit, including a power for such general manager, manager or managers to appoint an assistant manager or managers or other employees whatsoever under them for the purpose of carrying on the business of the Company. Terms and conditions of appointment

CHAIRMAN AND OTHER OFFICERS

132. The Board may from time to time elect or otherwise appoint one of them to the office of chairman of the Company and another to be the vice chairman of the Company (or two or more vice Chairmen) and determine the period for which each of them is to hold office. The chairman of the company or, in his absence, the vice chairman of the Company shall preside as chairman at meetings of the Board, but if no such chairman or vice chairman be elected or appointed, or if at any meeting the chairman or vice chairman is not present within five minutes after the time appointed for holding the same and willing to act, the Directors present shall choose one of their number to be chairman of such meeting. All the provisions of Articles 103, 108, 123, 124 and 125 shall *mutatis mutandis* apply to any Directors elected or otherwise appointed to any office in accordance with the provisions of this Article. chairman, vice chairman and officers

PROCEEDINGS OF THE DIRECTORS

133. The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purpose of this Article an alternate Director shall be counted in a quorum separately in respect of himself (if a Director) and in respect of each Director for whom he is an alternate and his voting rights shall be cumulative and he need not use all his votes or cast all his votes in the same way. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. Meeting of Directors, quorum, etc.

134. A Director may, and on the request of a Director the Secretary shall, at any time summon a meeting of the Board which may be held in any part of the world, but no such meeting shall be summoned to be held outside the territory in which the Head Office is for the time being situate without the prior approval of the Board. Notice thereof shall be given to each Director and alternate Director in person orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone or facsimile number or address from time to time notified to the Company by such Director or in such other manner as the Board may from time to time determine. A Director absent or intending to be absent from the territory in which the Head Office is for the time being situate may request the Board or the Secretary that notices of Board meetings shall during his absence be sent in writing to him at his last known address, facsimile or telex number or any other address, facsimile or telex number given by him to the Company for this purpose, but such notices need not be given any earlier than notices given to the other Directors not so absent and in the absence of any such request it shall not be necessary to give notice of a Board meeting to any Director who is for the time being absent from such territory. Convening of Meetings of Directors
135. Subject to Article 107, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes the chairman of the meeting shall have a second or casting vote. How questions to be decided
136. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles for the time being vested in or exercisable by the Board generally. Powers of meeting
137. The Board may delegate any of its powers, authorities and discretions to committees consisting of such member(s) of them and such other person(s) as it thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers, authorities and discretions so delegated conform to any regulations that may from time to time be imposed upon it by the Board. Power to appoint committee and to delegate
138. All acts done by any such committee in conformity with such regulations and in fulfilment of the purposes for which it is appointed, but not otherwise, shall have the like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any special committee, and charge such remuneration to the current expenses of the Company. Act of committee to be of same effect as acts of Directors
139. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not replaced by any regulations imposed by the Board pursuant to Article 137. Proceedings of committee
140. All acts bona fide done by any meeting of the Board or by any such committee or by any person acting as a Director shall, notwithstanding that it shall be afterwards discovered that there was some defect in the appointment of such Director or persons acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or member of such committee. When acts of Directors or committee to be valid

141. The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of the Board meeting, the continuing Director or Directors may act for the purpose of increasing the number of Directors to that number of the necessary quorum or of summoning a general meeting of the Company but for no other purpose.

Directors' powers
when vacancies
exist

142. (a) Unless otherwise required by the Listing Rules, a resolution in writing signed by all the Directors (or their respective alternate Directors) shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. Any such resolutions in writing may consist of several documents in like form each signed by one or more of the Directors or alternate Directors.

Directors'
resolutions

(b) Where a Director is, on the date on which a resolution in writing is last signed by a Director, absent from the territory in which the Head Office is for the time being situated, or cannot be contacted at his last known address or contact telephone or facsimile number, or is temporarily unable to act through ill-health or disability and, in each case, his alternate (if any) is affected by any of these events, the signature of such Director (or his alternate) to the resolution shall not be required, and the resolution in writing, so long as such a resolution shall have been signed by at least two Directors or their respective alternates who are entitled to vote thereon or such number of Directors as shall form a quorum, shall be deemed to have been passed at a meeting of the Board duly convened and held, provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors (or their respective alternates) for the time being entitled to receive notices of meetings of the Board at their respective last known address, telephone or facsimile number or, if none, at the Head Office and provided further that no Director is aware of or has received from any Director any objection to the resolution.

(c) A certificate signed by a Director (who may be one of the signatories to the relevant resolution in writing) or the Secretary as to any of the matters referred to in paragraph (a) or (b) of this Article shall in the absence of express notice to the contrary of the person relying thereon, be conclusive of the matters stated on such certificate.

MINUTES AND CORPORATE RECORDS

143. (a) The Board shall cause minutes to be made of:

- (i) all appointments of officers made by it;
- (ii) the names of the Directors present at each meeting of the Board and of committees appointed pursuant to Article 137; and
- (iii) all resolutions and proceedings at all meetings of the Company and of the Board and of such committees.

(b) Any such minutes shall be conclusive evidence of any such proceedings if they purport to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting.

Minutes of
proceedings of
meetings and
Directors

SECRETARY

144. The Secretary shall be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit, and any Secretary so appointed may, without prejudice to his right under any contract with the Company, be removed by the Board. Anything by the Companies Act or these Articles required or authorised to be done by or to the Secretary, if the office is vacant or there is for any other reason no Secretary capable of acting, may be done by or to any assistant or deputy Secretary, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specifically on behalf of the Board. Appointment of Secretary
145. The Secretary shall attend all meetings of the Shareholders and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the Companies Act and these Articles, together with such other duties as may from time to time be prescribed by the Board. Duties of the Secretary
146. A provision of the Companies Act or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of the Secretary. Same person not to act in two capacities at once

GENERAL MANAGEMENT AND USE OF THE SEAL

147. (a) Subject to the Companies Act, the Company shall have one or more Seals as the Board may determine, and may have a Seal for use outside the Cayman Islands. The Board shall provide for the safe custody of each Seal, and no Seal shall be used without the authority of the Board or a committee authorised by the Board in that behalf. Custody of Seal
- (b) Every instrument to which a Seal shall be affixed shall be signed autographically by one Director and the Secretary, or by two Directors, or by any person or persons (including a Director and/or the Secretary) appointed by the Board for the purpose, provided that as regards any certificates for Shares or Debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Use of Seal
- (c) The Company may have a Securities Seal for use for sealing certificates for shares or other securities issued by the Company and no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such Securities Seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid. The Board may by resolution determine that the affixation of Securities Seal on certificates for shares or other securities issued by the Company be dispensed with or be affixed by printing the image of the Securities Seal on such certificates. Securities Seal

148. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine. Cheques and banking arrangements
149. (a) The Board may from time to time and at any time, by power of attorney under the Seal, appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Power to appoint attorney
- (b) The Company may, by writing under its Seal, empower any person, either generally or in respect of any specified matter, as its attorney to execute deeds and instruments on its behalf and to enter into contracts and sign the same on its behalf and every deed signed by such attorney on behalf of the Company and under his seal shall bind the Company and have the same effect as if it were under the Seal duly affixed by the Company. Execution of deeds by attorney
150. The Board may establish any committees, regional or local boards or agencies for managing any of the affairs of the Company, either in the Relevant Territory or elsewhere, and may appoint any persons to be members of such committees, regional or local boards or agencies and may fix their remuneration, and may delegate to any committee, regional or local board or agent any of the powers, authorities and discretions vested in the Board (other than its powers to make calls and forfeit Shares), with power to sub-delegate, and may authorise the members of any regional or local board or any of them to fill any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby. Regional or local boards

151. The Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons. The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.
- Power to establish pension funds

AUTHENTICATION OF DOCUMENTS

152. (a) Any Director or the Secretary or other authorised officer of the Company shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies of extracts; and where any books, records, documents or accounts are elsewhere than at the Registered Office or the Head Office, the local manager or such other officer of the Company having the custody thereof shall be deemed to be the authorised officer of the Company as aforesaid.
- (b) A document purporting to be a document so authenticated or a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any local board or committee, or of any books, records, documents or accounts or extracts therefrom as aforesaid, and which is certified as aforesaid, shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that the document authenticated (or, if this be authenticated as aforesaid, the matter so authenticated) is authentic or, as the case may be, that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting or, as the case may be, that the copies of such books, records, documents or accounts were true copies of their originals or as the case may be, the extracts of such books, records, documents or accounts are true and accurate records of the books, records, documents or accounts from which they were extracted.
- Power to authenticate

CAPITALISATION OF RESERVES

153. (a) The Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including its share premium account and capital redemption reserve fund, subject to the Companies Act) and to appropriate such sums to the holders of Shares on the Register at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of Dividend and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. Power to capitalise
- (b) Subject to the Companies Act, whenever such a resolution as aforesaid shall have been passed, the Board shall make all appropriations and applications of the reserves or profits and undivided profits resolved to be capitalised thereby, and attend to all allotments and issues of fully paid Shares, debentures, or other securities and generally shall do all acts and things required to give effect thereto. For the purpose of giving effect to any resolution under this Article, the Board may settle any difficulty which may arise in regard to a capitalisation issue as it thinks fit, and in particular may disregard fractional entitlements or round the same up or down and may determine that cash payments shall be made to any Shareholders in lieu of fractional entitlements or that fractions of such value as the Board may determine may be disregarded in order to adjust the rights of all parties or that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the Shareholders concerned, and no Shareholders who are affected thereby shall be deemed to be, and they shall be deemed not to be, a separate class of Shareholders by reason only of the exercise of this power. The Board may authorise any person to enter on behalf of all Shareholders interested in a capitalisation issue any agreement with the Company or other(s) providing for such capitalisation and matters in connection therewith and any agreement made under such authority shall be effective and binding upon all concerned. Without limiting the generality of the foregoing, any such agreement may provide for the acceptance by such persons of the Shares, debentures or other securities to be allotted and distributed to them respectively in satisfaction of their claims in respect of the sum so capitalised. Effect of resolution to capitalise
- (c) The provisions of paragraph (e) of Article 160 shall apply to the power of the Company to capitalise under this Article as it applies to the grant of election thereunder *mutatis mutandis* and no Shareholder who may be affected thereby shall be, and they shall be deemed not to be, a separate class of Shareholders by reason only of the exercise of this power.

DIVIDENDS AND RESERVES

154. (a) Subject to the Companies Act and these Articles, the Company in general meeting may declare Dividends in any currency to be paid to the Shareholders but no Dividends shall be declared in excess of the amount recommended by the Board. Power to declare dividends
- (b) Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution dividends may be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.
155. (a) The Board may subject to Article 156 from time to time pay to the Shareholders such interim Dividends as appear to the Board to be justified by the financial conditions and the profits of the Company and, in particular but without prejudice to the generality of the foregoing, if at any time the share capital of the Company is divided into different classes, the Board may pay such interim Dividends in respect of those Shares in the capital of the Company which confer to the holders thereof deferred or non-preferential rights as well as in respect of those Shares which confer on the holders thereof preferential rights with regard to Dividend and provided that the Board acts bona fide it shall not incur any responsibility to the holders of Shares conferring any preference for any damage that they may suffer by reason of the payment of an interim Dividend on any Shares having deferred or non-preferential rights. Board's power to pay interim dividends
- (b) The Board may also pay half-yearly or at other suitable intervals to be settled by it any Dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits of the Company justify the payment.
- (c) The Board may in addition from time to time declare and pay special Dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit, and the provisions of paragraph (a) of this Article as regards the power and exemption from liability of the Board as relate to the declaration and payment of interim Dividends shall apply, *mutatis mutandis*, to the declaration and payment of any such special Dividends.
156. (a) No Dividend shall be declared or paid or shall be made otherwise than in accordance with the Companies Act. Dividends not to be paid out of capital
- (b) Subject to the provisions of the Companies Act but without prejudice to paragraph (a) of this Article, where any asset, business or property is bought by the Company as from a past date (whether such date be before or after the incorporation of the Company) the profits and losses thereof as from such date may at the discretion of the Board in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company, and be available for Dividend accordingly. Subject as aforesaid, if any Shares or securities are purchased cum Dividend or interest, such Dividend or interest may at the discretion of the Board be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof or to apply the same towards reduction of or writing down the book cost of the asset, business or property acquired.

- (c) Subject to paragraph (d) of this Article all Dividends and other distributions in respect of Shares shall be stated and discharged, in the case of Shares denominated in Hong Kong dollars, in Hong Kong dollars, and in the case of Shares denominated in any other currency, in such other currency, provided that, in the case of Shares denominated in Hong Kong dollars, the Board may determine in the case of any distribution that Shareholders may elect to receive the same in any other currency selected by the Board, converted at such rate of exchange as the Board may determine.
- (d) If, in the opinion of the Board, any Dividend or other distribution in respect of Shares or any other payment to be made by the Company to any Shareholder is of such a small amount as to make payment to that Shareholder in the relevant currency impracticable or unduly expensive either for the Company or the Shareholder then such Dividend or other distribution or other payment may, at the absolute discretion of the Board, be, if this be practicable, converted at such rate of exchange as the Board may determine and paid or made in the currency of the country of the relevant Shareholder (as indicated by the address of such Shareholder on the Register).

157. Notice of the declaration of an interim Dividend shall be given in such manner as the Board shall determine. Notice of interim dividend
158. No Dividend or other monies payable by the Company on or in respect of any Share shall bear interest as against the Company. No interest on dividend
159. Whenever the Board or the Company in general meeting has resolved that a Dividend be paid or declared, the Board may further resolve that such Dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, or in any one or more of such ways, with or without offering any rights to Shareholders to elect to receive such Dividend in cash, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may determine that fractional entitlements shall be aggregated and sold and the benefit shall accrue to the Company rather than to the Shareholders concerned, and may vest any such specific assets in trustees as may seem expedient to the Board and may authorise any person to sign any requisite instruments of transfer and other documents on behalf of all Shareholders interested in the Dividend and such instrument and document shall be effective. The Board may further authorise any person to enter into on behalf of all Shareholders having an interest in any agreement with the Company or other(s) providing for such Dividend and matters in connection therewith and any such agreement made under such authority shall be effective. The Board may resolve that no such assets shall be made available or made to Shareholders with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable or the legality or practicality of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Shareholder concerned and in any such event the only entitlement of the Shareholders aforesaid shall be to receive cash payments as aforesaid. Shareholders affected as a result of exercise by the Board of its discretion under this Article shall not be, and shall be deemed not to be, a separate class of Shareholders for any purposes whatsoever. Dividend in specie

160. (a) Whenever the Board or the Company in general meeting has resolved that a Dividend be paid or declared on the share capital of the Company, the Board may further resolve, either: Scrip dividend

(i) that such Dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up on the basis that the Shares so allotted shall be of the same class or classes as the class or classes already held by the allottee, provided that the Shareholders entitled thereto will be entitled to elect to receive such Dividend (or part thereof) in cash in lieu of such allotment. In such case, the following provisions shall apply:

- (A) the basis of any such allotment shall be determined by the Board;
- (B) the Board, after determining the basis of allotment, shall give not less than 14 clear days' notice in writing to the Shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
- (C) the right of election may be exercised in respect of the whole or part of that portion of the Dividend in respect of which the right of election has been accorded; and
- (D) Dividend (or that part of the Dividend to be satisfied by the allotment of Shares as aforesaid) shall not be payable in cash in respect whereof the cash election has not been duly exercised ("the non-elected Shares") and in lieu and in satisfaction thereof Shares shall be allotted credited as fully paid to the holders of the non-elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, or share premium account (if there be any such reserve)) as the Board may determine, a sum equal to the aggregate nominal amount of the Shares to be allotted on such basis and apply the same in paying up in full the appropriate number of Shares for allotment and distribution to and amongst the holders of the non-elected Shares on such basis;

or

(ii) that Shareholders entitled to such Dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the Dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class or classes as the class or classes of Shares already held by the allottee. In such case, the following provisions shall apply:

- (A) the basis of any such allotment shall be determined by the Board;

- (B) the Board, after determining the basis of allotment, shall give not less than 14 clear days' notice in writing to the Shareholders of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (C) the right of election may be exercised in respect of the whole or part of that portion of the Dividend in respect of which the right of election has been accorded; and
 - (D) the Dividend (or that part of the Dividend in respect of which a right of election has been accorded) shall not be payable on Shares in respect whereof the Share election has been duly exercised ("the elected Shares") and in lieu thereof Shares shall be allotted credited as fully paid to the holders of the elected Shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company or any part of any of the Company's reserve accounts (including any special account, contributed surplus account, share premium account and capital redemption reserve fund (if there be any such reserve)) as the Board may determine, a sum equal to the aggregate nominal amount of the Shares to be allotted on such basis and apply the same in paying up in full the appropriate number of Shares for allotment and distribution to and amongst the holders of the elected Shares on such basis.
- (b) The Shares allotted pursuant to the provisions of paragraph (a) of this Article shall rank *pari passu* in all respects with the Shares then in issue and held by the allottee in respect of which they were allotted, save only as regards participation:
- (i) in the relevant Dividend (or the right to receive or to elect to receive an allotment of Shares in lieu thereof as aforesaid); or
 - (ii) in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant Dividend unless, contemporaneously with the announcement by the Board of its proposal to apply the provisions of sub-paragraph (a)(i) or (a)(ii) of paragraph (a) of this Article in relation to the relevant Dividend or contemporaneously with its announcement of the distribution, bonus or rights in question, the Board shall have specified that the Shares to be allotted pursuant to the provisions of paragraph (a) of this Article shall rank for participation in such distribution, bonus or rights.

- (c) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (a) of this Article with full power to the Board to make such provisions as it thinks fit in the case of Shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Shareholders concerned), and no Shareholders who will be affected thereby shall be, and they shall be deemed not to be, a separate class of Shareholders by reason only of the exercise of this power. The Board may authorise any person to enter into on behalf of all Shareholders interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (d) The Company may upon the recommendation of the Board by Ordinary Resolution resolve in respect of any one particular Dividend that notwithstanding the provisions of paragraph (a) of this Article a Dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to Shareholders to elect to receive such Dividend in cash in lieu of such allotment.
- (e) The Board may on any occasion determine that rights of election and the allotment of Shares under paragraph (a) of this Article shall not be made available or made to any Shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election or the allotment of Shares would or might be unlawful or impracticable or the legality or practicability of which may be time consuming or expensive to ascertain whether in absolute terms or in relation to the value of the holding of Shares of the Shareholder concerned, and in such event the provisions aforesaid shall be read and construed subject to such determination and no Shareholder who may be affected by any such determination shall be, and they shall be deemed not to be, a separate class of Shareholders for any purposes whatsoever.

161. The Board may, before recommending any Dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising Dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (including in the repurchase by the Company of its own securities or the giving of any financial assistance for the acquisition of its own securities) as the Board may from time to time think fit, and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve, carry forward any profits which it may think prudent not to distribute by way of Dividend.

Reserves

162. Unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide: Dividends to be paid in proportion to paid up capital
- (a) all Dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls pursuant to Article 38 shall be treated as paid up on the Share; and
 - (b) all Dividends shall (as regards any Shares not fully paid throughout the period in respect of which the Dividend is paid) be apportioned and paid pro rata according to the amounts paid up or credited as paid up on the Shares during any portion or portions of the period in respect of which the Dividend is paid.
163. (a) The Board may retain any Dividends or other moneys payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Retention of dividends, etc.
- (b) The Board may deduct from any Dividend or other monies payable to any Shareholder or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise. Deduction of debts
164. Any general meeting sanctioning a Dividend may make a call on the Shareholders of such amount as the meeting fixes, but so that the call on each Shareholder shall not exceed the Dividend payable to him, and so that the call shall be made payable at the same time as the Dividend, and the Dividend may, if so arranged between the Company and the Shareholder, be set off against the call. Dividend and call together
165. A transfer of Shares shall not, as against the Company but without prejudice to the rights of the transferor and transferee inter se, pass the right to any Dividend or bonus declared thereon before the registration of the transfer. Effect of transfer
166. If two or more persons are registered as joint holders of any Share, any one of such persons may give effectual receipts for any Dividends and other moneys payable, property distributable and bonuses, rights and other distributions in respect of such Shares held by such joint holders. Receipt for dividends by joint holders of share
167. Unless otherwise directed by the Board, any Dividend, interest or other monies payable in cash to the Shareholder or bonuses, rights or other distributions in respect of any Share may be paid or satisfied by cheque or warrant or certificate or other documents or evidence of title sent through the post to the registered address of the Shareholder entitled, or, in the case of joint holders, to the registered address of that one whose name stands first in the Register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque, warrant, certificate or other document or evidence of title so sent shall be made payable to the order of the person to whom it is sent or, in the case of certificates or other documents or evidence of title as aforesaid, in favour of the Shareholder(s) entitled thereto, and the payment on any such cheque or warrant by the banker upon whom it is drawn shall constitute a good discharge to the Company in respect of the Dividend and/or other moneys represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Every such cheque, warrant, certificate or other document or evidence of title as aforesaid shall be sent at the risk of the person entitled to the Dividend, money, bonus, rights and other distributions represented thereby. Payment by post

168. All Dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared by the Company until claimed and, notwithstanding any entry in any books of the Company may be invested or otherwise made use of by the Board for the benefit of the Company or otherwise howsoever, and the Company shall not be constituted a trustee in respect thereof. All Dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities of the Company, may be re-allotted or re-issued for such consideration as the Board thinks fit and the proceeds thereof shall accrue to the benefit of the Company absolutely.

Unclaimed
Dividend

RECORD DATE

169. Subject to the Listing Rules, any resolution declaring a Dividend or other distribution on Shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or made to the persons registered as the holder of such Shares at the close of business on a particular date or at a particular time on a particular date, and thereupon the Dividend or other distribution shall be payable or made to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such Dividend or other distribution between the transferors and transferees of any such Shares. The provisions of this Article shall *mutatis mutandis* apply to determining the Shareholders entitled to receive notice and vote at any general meeting of the Company, bonuses, capitalisation issues, distributions of realised and unrealised capital profits or other distributable reserves or accounts of the Company and offers or grants made by the Company to the Shareholders.

Record dates

170. The Company in general meeting may at any time and from time to time resolve that any surplus moneys in the hands of the Company representing capital profits arising from moneys received or recovered in respect of or arising from the realisation of any capital assets of the Company or any investments representing the same and not required for the payment or provision of any fixed preferential Dividend instead of being applied in the purchase of any other capital assets or for other capital purposes be distributed amongst its Shareholders on the footing that they receive the same as capital and in the Shares and proportions in which they would have been entitled to receive the same if it had been distributed by way of Dividend, provided that no such surplus moneys as aforesaid shall be so distributed unless the Company will remain solvent after the distribution, or the net realisable value of the assets of the Company will after the distribution be greater than the aggregate of its liabilities, share capital and share premium account.

Distribution of
realised capital
profits

ANNUAL RETURNS

171. The Board shall make or cause to be made such annual or other returns or filings as may be required to be made in accordance with the Companies Act.

Annual Returns

ACCOUNTS

172. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place; and of the assets and liabilities of the Company and of all other matters required by the Companies Act necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions. Accounts to be kept
173. The accounting records shall be kept at the Head Office or at such other place or places as the Board thinks fit and shall always be open to the inspection of the Directors. Where accounts to be kept
174. No Shareholder (other than a Director) or other person shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting. Inspection by shareholders
175. (a) The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting profit and loss accounts and balance sheets of the Company and such other reports and documents as may be required by law and the Listing Rules. The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards, or such other standards as may be permitted by the HK Stock Exchange. Annual profit and loss account and balance sheet
- (b) Subject to paragraph (c) below, every balance sheet of the Company shall be signed on behalf of the Board by two of the Directors and a copy of every balance sheet (including every document required by law to be comprised therein or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the Auditors' report thereon, shall, not less than 21 days before the date of the meeting be delivered or sent by post together with the notice of annual general meeting to every Shareholder and every Debenture Holder of the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of these Articles, provided that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any Shares or Debentures, but any Shareholder or Debenture Holder to whom a copy of those documents has not been sent shall be entitled to receive a copy free of charge on application at the Head Office or the Registration Office. If all or any of the Shares or Debentures or other securities of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange or market, there shall be forwarded to such stock exchange or market such number of copies of such documents as may for the time being be required under its regulations or practice. Annual report of Directors and balance sheet to be sent to shareholders

- (c) Subject to the Listing Rules, the Company may send summarised financial statements derived from the Company's annual accounts and the Directors' report to Shareholders who has, in accordance with the Listing Rules, consented and elected to receive summarised financial statements instead of the full financial statements, provided that any such Shareholder may by notice in writing served on the Company demand that the Company sends him/her, in addition to the summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon. The summarised financial statements must be accompanied by any other documents as may be required under the Listing Rules and must be sent to the Shareholders not less than 21 days before the general meeting to those Shareholders that have consented and elected to receive the summarised financial statements.

AUDITOR

176. (a) At the annual general meeting or at a subsequent extraordinary general meeting in each year, the Shareholders shall by ordinary resolution appoint an Auditor to audit the accounts of the Company and such Auditor shall hold office until the next annual general meeting. Such Auditor may be a Shareholder but no Director, officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor. The Board may fill any casual vacancy in the office of, but while any such vacancy continues the surviving or continuing Auditor (if any) may act. The appointment, removal and remuneration of the Auditor must be approved by majority of the Company's Shareholders in the annual general meeting or by other body that is independent of the Board, except that in any particular year the Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Board.
- (b) The Shareholders may, at any general meeting convened and held in accordance with these Articles, remove the Auditor by Ordinary Resolution at any time before the expiration of his term of office and shall, by Ordinary Resolution, at that meeting appoint another Auditor in his stead for the remainder of his term.
177. The Auditor shall at all reasonable times have access to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information as may be necessary for the performance of his or their duties, and the Auditor shall audit the financial statements of the Company including every balance sheet and profit and loss account of the Company in each year in accordance with generally accepted auditing standards and prepare an Auditors' report thereon to be annexed thereto. Such report shall be submitted to the Shareholders and laid before the Company in the annual general meeting.
178. No person other than the retiring Auditor shall be appointed as Auditor at an annual general meeting unless notice of an intention to nominate that person to the office of Auditors has been given to the Company not less than 14 clear days before the annual general meeting, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the Shareholders not less than seven days before the annual general meeting provided that the above requirement for sending a copy of such notice to the retiring Auditor may be waived by notice in writing by the retiring Auditor to the Secretary.

App.3 Para 17
Appointment of Auditor

Auditors to have right of access to books and accounts

App.3 Para 17
Appointment of auditor other than retiring auditor

179. All acts done by any person acting as the Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in their appointment or that they were at the time of their appointment not qualified for appointment or subsequently became disqualified. Defect of appointment

NOTICES

180. (a) Except where otherwise expressly stated, any notice or document to be given to or by any person pursuant to these Articles shall be in writing or, to the extent permitted by the Companies Act and the Listing Rules from time to time and subject to this Article, contained in an electronic communication. A notice calling a meeting of the Board need not be in writing. Service of notices
- (b) Except where otherwise expressly stated, any notice or document to be given to or by any person pursuant to these Articles (including any corporate communications within the meaning ascribed thereto under the Listing Rules) may be served on or delivered to any Shareholder either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such Shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the Shareholder or by any other means authorised in writing by the Shareholder concerned or (other than share certificate) by publishing it by way of advertisement in the Newspapers. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the Companies Act and the Listing Rules, a notice or document may be served or delivered by the Company to any Shareholder by electronic means to such address as may from time to time be authorised by the Shareholder concerned or by publishing it on a website and notifying the Shareholder concerned that it has been so published.
- (c) Any such notice or document may be served or delivered by the Company by reference to the register as it stands at any time not more than fifteen (15) days before the date of service or delivery. No change in the register after that time shall invalidate that service or delivery. Where any notice or document is served or delivered to any person in respect of a share in accordance with these Articles, no person deriving any title or interest in that share shall be entitled to any further service or delivery of that notice or document.
- (d) Any notice or document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid envelope or wrapper addressed to the Company or to such officer at the Head Office or Registered Office.
- (e) The Board may from time to time specify the form and manner in which a notice may be given to the Company by electronic means, including one or more addresses for the receipt of an electronic communication, and may prescribe such procedures as they think fit for verifying the authenticity or integrity of any such electronic communication. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Board.

181. (a) Any Shareholder whose registered address is outside the Relevant Territory may notify the Company in writing of an address in the Relevant Territory which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the Shareholder is outside the Relevant Territory, notice, if given through the post, shall be sent by prepaid airmail letter where available.
- (b) Any Shareholder who fails (and, where a Share is held by joint holders, where the first joint holder named on the register fails) to supply his registered address or a correct registered address to the Company for service of notices and documents on him shall not (and where a Share is held by joint holders, none of the other joint holders whether or not they have supplied a registered address shall) be entitled to service of any notice or documents by the Company and any notice or document which is otherwise required to be served on him may, if the Board in its absolute discretion so elects (and subject to them re-electing otherwise from time to time), be served, in the case of notices, by displaying a copy of such notice conspicuously at the Registered Office and the Head Office or, if the Board sees fit, by advertisement in the Newspapers, and, in the case of documents, by posting up a notice conspicuously at the Registered Office and the Head Office addressed to such Shareholder which notice shall state the address within the Relevant Territory at which he served in the manner so described which shall be sufficient service as regards Shareholders with no registered or incorrect addresses, provided that nothing in this paragraph (b) shall be construed as requiring the Company to serve any notice or document on any Shareholder with no or an incorrect registered address for the service of notice or document on him or on any Shareholder other than the first named on the register of members of the Company.
- (c) If on three consecutive occasions notices or other documents have been sent through the post to any Shareholder (or, in the case of joint holders of a share, the first holder named on the register) at his registered address but have been returned undelivered, such Shareholder (and, in the case of joint holders of a Share, all other joint holders of the share) shall not thereafter be entitled to receive or be served (save as the Board may elect otherwise pursuant to paragraph (b) of this Article) and shall be deemed to have waived the service of notices and other documents from the Company until he shall have communicated with the Company and supplied in writing a new registered address for the service of notices on him.
182. Any notice or other document, if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail. Any notice or document not sent by post but left by the Company at a registered address shall be deemed to have been served or delivered on the day it was so left. Any notice or document, if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the Shareholder concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or other document published by way of advertisement or on a website shall be deemed to have been served or delivered on the day it was so published.

183. A notice or document may be given by the Company to the person entitled to a Share in consequence of the death, mental disorder, bankruptcy or liquidation of a Shareholder by sending it through the post in a prepaid envelope or wrapper addressed to him by name, or by the title of representative of the deceased, the trustee of the bankrupt or the liquidator of the Shareholder, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice or document in any manner in which the same might have been given if the death, mental disorder, bankruptcy or winding up had not occurred. Service of notice to persons entitled on death, mental disorder or bankruptcy
184. Any person who by operation of law, transfer or other means whatsoever shall become entitled to any Share shall be bound by every notice in respect of such share which prior to his name and address being entered on the register shall have been duly served to the person from whom he derives his title to such share. Transferee to be bound by prior notices
185. Any notice or document delivered or sent by post to, or left at the registered address of any Shareholder in pursuance of these Articles, shall notwithstanding that such Shareholder be then deceased, bankrupt or wound up and whether or not the Company has notice of his death, bankruptcy or winding up, be deemed to have duly served in respect of any registered Shares whether held solely or jointly with other persons by such Shareholder until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his personal representatives and all persons (if any) jointly interested with him in any such Shares. Notice valid though shareholder deceased, bankrupt
186. The signature to any notice or document to be given by the Company may be written or printed. How notice to be signed

INFORMATION

187. No Shareholder (not being a Director) shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company which in the opinion of the Board will be inexpedient in the interests of the Shareholders of the Company to communicate to the public. Shareholders not entitled to information

WINDING UP

188. Subject to the Companies Act, the Company may at any time and from time to time be wound up voluntarily by Supermajority Resolution. If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims. Modes of winding up

189. If the Company shall be wound up and the assets available for distribution amongst the Shareholders of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the surplus assets remaining after payment to all creditors shall be distributed *pari passu* and divided among the Shareholders in proportion to the amount paid up on the Shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they shall be distributed, subject to the rights of any Shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

Distribution of
assets in winding
up

190. If the Company shall be wound up (whether the liquidation be voluntary or by the court) the liquidator may, with the authority of a Supermajority Resolution and any other sanction required by the Companies Act, divide among the Shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders and the Shareholders within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, but so that no Shareholder shall be compelled to accept any Shares or other assets upon which there is a liability.

Assets may be
distributed in
specie

INDEMNITY

191. The Directors, managing directors, alternate Directors, Auditors, Secretary and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonest, or recklessness. The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers) or any of them to indemnify the Company and/or Directors (and/or other officers) named therein for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company.

Indemnity

UNTRACEABLE SHAREHOLDERS

192. The Company may exercise the power to cease sending cheques for Dividend entitlements or Dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

Company ceases sending dividend warrants etc.

193. (a) The Company shall have the power to sell, in such manner as the Board thinks fit, any Shares of a Shareholder who is untraceable, but no such sale shall be made unless:

Company may sell shares of untraceable shareholders

(i) during the period of 12 years prior to the date of the advertisements referred to in sub-paragraph (ii) below (or, if published more than once, the first thereof) at least three Dividends or other distributions in respect of the Shares in question have become payable or been made and no Dividend or other distribution in respect of the Shares during that period has been claimed;

(ii) the Company has caused an advertisement to be inserted in the Newspapers of its intention to sell such Shares and a period of three months has elapsed since the date of such advertisement (or, if published more than once, the first thereof);

(iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the holder of such Shares or of a person entitled to such Shares by death, bankruptcy or operation of law; and

(iv) the Company has notified the HK Stock Exchange of its intention of such sale.

(b) To give effect to any such sale the Board may authorise any person to transfer the said Shares and the instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such Shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such proceeds it shall become indebted to the former Shareholder for an amount equal to such net proceeds. Notwithstanding any entries made by the Company in any of its books or otherwise howsoever, no trusts shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Shareholder holding the Shares sold is dead, bankrupt, wound up or otherwise under any legal disability or incapacity.

DESTRUCTION OF DOCUMENTS

194. The Company may destroy:

Destruction of
documents

- (a) any share certificate which has been cancelled at any time after the expiry of one year from the date of such cancellation;
- (b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two years from the date on which such mandate, variation, cancellation or notification was recorded by the Company;
- (c) any instrument of transfer of Shares which has been registered at any time after the expiry of six years from the date of registration;
- (d) any other document, on the basis of which any entry in the Register is made, at any time after the expiry of six years from the date on which an entry in the Register was first made in respect of it;

and it shall conclusively be presumed in favour of the Company that every Share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company provided always that:

- (i) the foregoing provisions of this Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim;
- (ii) nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (i) above are not fulfilled; and
- (iii) references in this Article to the destruction of any document include reference to its disposal in any manner.

SUBSCRIPTION RIGHT RESERVE

195. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the Companies Act:

- (a) If, so long as any of the rights attaching to any warrants issued by the Company to subscribe for Shares shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions applicable under the terms and conditions of the warrants, would reduce the subscription price to below the par value of a Share, then the following provisions shall apply:
 - (i) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the "Subscription Right Reserve") the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional Shares required to be issued and allotted credited as fully paid pursuant to sub-paragraph (iii) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Right Reserve in paying up in full the amount of the shortfall referred to in sub-paragraph (iii) in respect of such additional Shares as and when the same are allotted;
 - (ii) the Subscription Right Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than the share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
 - (iii) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of Shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of Shares as is equal to the shortfall between:
 - (A) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and

Subscription right
reserve

- (B) the nominal amount of Shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for Shares at less than par and immediately upon such exercise so much of the sum standing to the credit of the Subscription Right Reserve as is required to pay up in full such additional nominal amount of Shares shall be capitalised and applied in paying up in full such additional nominal amount of Shares which shall forthwith be allotted credited as fully paid to the exercising warrant holder; and
- (iv) if upon the exercise of the subscription rights represented by any warrant the amount standing to the credit of the Subscription Right Reserve is not sufficient to pay up in full such additional nominal amount of Shares equal to such shortfall as aforesaid to which the exercising warrant holder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted or not prohibited by law, the share premium account) for such purpose until such additional nominal amount of Shares is paid up and allotted as aforesaid and until then no Dividend or other distribution shall be paid or made on the fully paid Shares then in issue. Pending such payment up and allotment, the exercising warrant holder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of Shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one Share in the like manner as the Shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrant holder upon the issue of such certificate.
- (b) Shares allotted pursuant to the provisions of this Article shall rank *pari passu* in all respects with the other Shares allotted or which ought to be allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (a) of this Article, no fraction of any Share shall be allotted on exercise of the subscription rights.
- (c) The provisions of this Article as to the establishment and maintenance of the Subscription Right Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating, the provisions for the benefit of any warrant holder or class of warrant holders under this Article without the sanction of a Supermajority Resolution of such warrant holder(s) or class of warrant holders.

- (d) A certificate or report by the Auditors as to whether or not the Subscription Right Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purpose for which the Subscription Right Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of Shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Right Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and Shareholders.

STOCK

196. The following provisions shall have effect at any time and from time to time provided that they are not prohibited by or inconsistent with the Companies Act:
- (a) The Company may by Ordinary Resolution convert any fully paid Shares into stock, and may from time to time by like resolution reconvert any stock into fully paid Shares of any denomination.
 - (b) The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the Shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the Shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock.
 - (c) The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards Dividends, participation in assets on a winding up, voting at meetings, and other matters, as if they held the Shares from which the stock arose, but no such rights, privileges or advantages (except participation in the Dividends and profits and in the assets on winding up of the Company) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred such rights, privileges or advantages.
 - (d) Such of the provisions of these Articles as are applicable to fully paid Shares shall apply to stock, and the words “Share” and “Shareholder” herein shall include “stock” and “stockholder” and “member”.
197. Unless otherwise determined by the Board, the financial year end of the Company shall be 31 December in each year.

THE COMPANIES ACT (REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

Boyuan Investment Holding Limited
博源投资控股有限公司

FIFTH AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION

(As adopted and amended by special resolution dated 30
December 2024)



THE COMPANIES ACT (REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
FIFTH AMENDED AND RESTATED MEMORANDUM
OF
Boyuan Investment Holding Limited
博源投资控股有限公司

(As adopted and amended by special resolution dated 30 December 2024)

- 1 The name of the Company is Boyuan Investment Holding Limited 博源投资控股有限公司.
- 2 The Company's registered office will be situated at the offices of International Corporation Services Ltd, PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands, or at such other place in the Cayman Islands as the directors may at any time decide.
- 3 The Company's objects are unrestricted. As provided by section 7(4) of the Companies Act (Revised), the Company has full power and authority to carry out any object not prohibited by any law of the Cayman Islands.
- 4 The Company has unrestricted corporate capacity. Without limitation to the foregoing, as provided by section 27 (2) of the Companies Act (Revised), the Company has and is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit.
- 5 Unless licensed to do so, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of its business carried on outside the Cayman Islands. Despite this, the Company may effect and conclude contracts in the Cayman Islands and exercise in the Cayman Islands any of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 6 The Company is a company limited by shares and accordingly the liability of each member is limited to the amount (if any) unpaid on that member's shares.



- 7 The share capital of the Company is USD50,000 divided into 50,000 Ordinary shares of par value USD1.00each. There is no limit on the number of shares of any class which the Company is authorised to issue. However, subject to the Companies Act (Revised) and the Company's articles of association, the Company has power to do any one or more of the following:
- (a) to redeem or repurchase any of its shares; and
 - (b) to increase or reduce its capital; and
 - (c) to issue any part of its capital (whether original, redeemed, increased or reduced):
 - (i) with or without any preferential, deferred, qualified or special rights, privileges or conditions; or
 - (ii) subject to any limitations or restrictions
- and unless the condition of issue expressly declares otherwise, every issue of shares (whether declared to be ordinary, preference or otherwise) is subject to this power; or
- (d) to alter any of those rights, privileges, conditions, limitations or restrictions.
- 8 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



THE COMPANIES ACT (REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES

Boyuan Investment Holding Limited
博源投资控股有限公司

FIFTH AMENDED AND RESTATED
ARTICLES OF ASSOCIATION

(As adopted and amended by special resolution dated 30
December 2024)



CONTENTS

Definitions, interpretation and exclusion of Table A	10
Definitions	10
Interpretation	12
Exclusion of Table A Articles	13
Shares.....	13
Power to issue Shares and options, with or without special rights.....	13
Power to issue fractions of a Share.....	13
Power to pay commissions and brokerage fees	14
Trusts not recognised.....	14
Power to vary class rights.....	14
Effect of new Share issue on existing class rights.....	15
Capital contributions without issue of further Shares	15
No bearer Shares or warrants	15
Treasury Shares	15
Rights attaching to Treasury Shares and related matters	16
Share certificates	16
Issue of share certificates.....	16
Renewal of lost or damaged share certificates	17
Lien on Shares.....	17
Nature and scope of lien	17
Company may sell Shares to satisfy lien.....	17
Authority to execute instrument of transfer	18
Consequences of sale of Shares to satisfy lien	18
Application of proceeds of sale	18
Calls on Shares and forfeiture	19
Power to make calls and effect of calls	19
Time when call made	19
Liability of joint holders.....	19
Interest on unpaid calls.....	19
Deemed calls	20
Power to accept early payment.....	20
Power to make different arrangements at time of issue of Shares	20
Notice of default	20
Forfeiture or surrender of Shares.....	21
Disposal of forfeited or surrendered Share and power to cancel forfeiture or surrender	21
Effect of forfeiture or surrender on former Member	21
Evidence of forfeiture or surrender	22



Sale of forfeited or surrendered Shares	22
Transfer of Shares	22
Form of transfer	22
Power to refuse registration.....	22
Notice of refusal to register	23
Power to suspend registration.....	23
Fee, if any, payable for registration.....	23
Company may retain instrument of transfer	23
Transmission of Shares	23
Persons entitled on death of a Member	23
Registration of transfer of a Share following death or bankruptcy	23
Indemnity.....	24
Rights of person entitled to a Share following death or bankruptcy	24
Alteration of capital	24
Increasing, consolidating, converting, dividing and cancelling share capital	24
Dealing with fractions resulting from consolidation of Shares	25
Reducing share capital.....	25
Redemption and purchase of own Shares	25
Power to issue redeemable Shares and to purchase own Shares	26
Power to pay for redemption or purchase in cash or in specie	26
Effect of redemption or purchase of a Share	26
Meetings of Members	27
Power to call meetings	27
Content of notice	28
Period of notice	28
Persons entitled to receive notice	28
Publication of notice on a website.....	29
Time a website notice is deemed to be given	29
Required duration of publication on a website	29
Accidental omission to give notice or non-receipt of notice	29
Proceedings at meetings of Members	30
Quorum.....	30
Lack of quorum	30
Use of technology	30
Chairman	30
Right of a director to attend and speak	31
Adjournment.....	31
Method of voting	31
Outcome of vote by show of hands	31
Withdrawal of demand for a poll.....	32



Taking of a poll	32
Chairman's casting vote.....	32
Amendments to resolutions	32
Written resolutions	33
Sole-member company	34
Voting rights of Members	34
Right to vote	34
Rights of joint holders	34
Representation of corporate Members.....	34
Member with mental disorder	35
Objections to admissibility of votes	35
Form of proxy	35
How and when proxy is to be delivered	36
Voting by proxy.....	37
Number of directors	37
Appointment, disqualification and removal of directors	37
First directors.....	37
No age limit	37
Corporate directors	38
No shareholding qualification	38
Appointment of directors.....	38
Removal of directors	39
Resignation of directors.....	39
Termination of the office of director	39
Alternate directors.....	39
Appointment and removal	39
Notices.....	41
Rights of alternate director	41
Appointment ceases when the appointor ceases to be a director	41
Status of alternate director.....	41
Status of the director making the appointment.....	42
Powers of directors	42
Powers of directors	42
Appointments to office	42
Remuneration	43
Disclosure of information.....	43
Delegation of powers	44
Power to delegate any of the directors' powers to a committee	44
Power to appoint an agent of the Company.....	44
Power to appoint an attorney or authorised signatory of the Company	44



Power to appoint a proxy.....	45
Meetings of directors	45
Regulation of directors' meetings	45
Calling meetings.....	45
Notice of meetings.....	45
Period of notice	45
Use of technology.....	46
Place of meetings.....	46
Quorum.....	46
Voting.....	46
Validity	46
Recording of dissent	46
Written resolutions	47
Sole director's minute	47
Permissible directors' interests and disclosure	47
Permissible interests subject to disclosure	47
Notification of interests	48
Voting where a director is interested in a matter.....	48
Minutes	48
Accounts and audit	48
Accounting and other records.....	49
No automatic right of inspection	49
Sending of accounts and reports.....	49
Time of receipt if documents are published on a website	49
Validity despite accidental error in publication on website	50
When accounts are to be audited	50
Financial year	50
Record dates	50
Dividends	50
Declaration of dividends by Members	51
Payment of interim dividends and declaration of final dividends by directors.....	51
Apportionment of dividends.....	52
Right of set off.....	52
Power to pay other than in cash.....	52
How payments may be made.....	52
Dividends or other moneys not to bear interest in absence of special rights	53
Dividends unable to be paid or unclaimed	53
Capitalisation of profits	53
Capitalisation of profits or of any share premium account or capital redemption reserve.....	53
Applying an amount for the benefit of members	54



Share premium account	54
Directors to maintain share premium account.....	54
Debits to share premium account	54
Seal	55
Company seal	55
Duplicate seal	55
When and how seal is to be used.....	55
If no seal is adopted or used	55
Power to allow non-manual signatures and facsimile printing of seal	55
Validity of execution	56
Indemnity	56
Indemnity.....	56
Release.....	57
Insurance	57
Notices	57
Form of notices.....	57
Electronic communications	58
Persons authorised to give notices.....	58
Delivery of written notices	58
Joint holders	58
Signatures	58
Evidence of transmission.....	59
Giving notice to a deceased or bankrupt Member.....	59
Date of giving notices.....	59
Saving provision.....	60
Authentication of Electronic Records	60
Application of Articles	60
Authentication of documents sent by Members by Electronic means	60
Authentication of document sent by the Secretary or Officers of the Company by Electronic means	61
Manner of signing	61
Saving provision.....	62
Transfer by way of continuation	62
Winding up	62
Distribution of assets in specie	63
No obligation to accept liability	63
The directors are authorised to present a winding up petition	63
Amendment of Memorandum and Articles	63
Power to change name or amend Memorandum	63
Power to amend these Articles	63



THE COMPANIES ACT (REVISED)
OF THE CAYMAN ISLANDS
COMPANY LIMITED BY SHARES
FIFTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
Boyuan Investment Holding Limited
博源投资控股有限公司

(As adopted and amended by special resolution dated 30 December 2024)

Definitions, interpretation and exclusion of Table A

Definitions

In these Articles, the following definitions apply:

Articles means, as appropriate: these Articles of Association as amended from time to time; or two or more particular Articles of these Articles; and **Article** refers to a particular Article of these Articles.

Business Day means a day other than a public holiday in the place where the Company's registered office is located, a Saturday or a Sunday.

Clear Days, in relation to a period of notice, means that period excluding:

(a) the day when the notice is given or deemed to be given; and

the day for which it is given or on which it is to take effect.

Company means the above-named company.

Default Rate means 10% (ten per cent) per annum.



Electronic has the meaning given to that term in the Electronic Transactions Act (Revised).

Electronic Record has the meaning given to that term in the Electronic Transactions Act (Revised).

Electronic Signature has the meaning given to that term in the Electronic Transactions Act (Revised).

Fully Paid and Paid Up:

- (b) in relation to a Share with par value, means that the par value for that Share and any premium payable in respect of the issue of that Share, has been fully paid or credited as paid in money or money's worth;

in relation to a Share without par value, means that the agreed issue price for that Share has been fully paid or credited as paid in money or money's worth.

Islands means the British Overseas Territory of the Cayman Islands.

Act means the Companies Act (Revised).

Member means any person or persons entered on the register of members from time to time as the holder of a Share.

Memorandum means the Memorandum of Association of the Company as amended from time to time.

Officer means a person appointed to hold an office in the Company; and the expression includes a director, alternate director or liquidator, but does not include the Secretary.

Ordinary Resolution means a resolution of a duly constituted general meeting of the Company passed by a simple majority of the votes cast by, or on behalf of, the Members entitled to vote. The expression also includes a unanimous written resolution.

Secretary means a person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary.

Share means a share in the share capital of the Company; and the expression:



- (c) includes stock (except where a distinction between shares and stock is expressed or implied); and

where the context permits, also includes a fraction of a share.

Special Resolution has the meaning given to that term in the Act; and the expression includes a unanimous written resolution.

Treasury Shares means Shares of the Company held in treasury pursuant to the Act and Article 2.12.

Interpretation

In the interpretation of these Articles, the following provisions apply unless the context otherwise requires:

A reference in these Articles to a statute is a reference to a statute of the Islands as known by its short title, and includes:

any statutory modification, amendment or re-enactment; and

any subordinate legislation or regulations issued under that statute.

Without limitation to the preceding sentence, a reference to a revised Act of the Cayman Islands is taken to be a reference to the revision of that Act in force from time to time as amended from time to time.

Headings are inserted for convenience only and do not affect the interpretation of these Articles, unless there is ambiguity.

If a day on which any act, matter or thing is to be done under these Articles is not a Business Day, the act, matter or thing must be done on the next Business Day.

A word which denotes the singular also denotes the plural, a word which denotes the plural also denotes the singular, and a reference to any gender also denotes the other genders.

A reference to a **person** includes, as appropriate, a company, trust, partnership, joint venture, association, body corporate or government agency.

Where a word or phrase is given a defined meaning another part of speech or grammatical form in respect to that word or phrase has a corresponding meaning.



All references to time are to be calculated by reference to time in the place where the Company's registered office is located.

The words **written** and **in writing** include all modes of representing or reproducing words in a visible form, but do not include an Electronic Record where the distinction between a document in writing and an Electronic Record is expressed or implied.

The words **including**, **include** and **in particular** or any similar expression are to be construed without limitation.

Exclusion of Table A Articles

The regulations contained in Table A in the First Schedule of the Act and any other regulations contained in any statute or subordinate legislation are expressly excluded and do not apply to the Company.

Shares

Power to issue Shares and options, with or without special rights

Subject to the provisions of the Act and the Articles about the redemption and purchase of the Company's own Shares, the directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Shares of the Company to such persons, at such times and on such terms and conditions as they may decide. No Share may be issued at a discount except in accordance with the provisions of the Act.

Without limitation to the preceding Article, the directors may so deal with the unissued Shares of the Company:

either at a premium or at par;

with or without preferred, deferred or other special rights or restrictions whether in regard to dividend, voting, return of capital or otherwise.

Power to issue fractions of a Share

Subject to the Act, the Company may issue fractions of a Share of any class. A fraction of a Share shall be subject to and carry the corresponding fraction of liabilities (whether with respect to calls or otherwise), limitations, preferences, privileges, qualifications, restrictions, rights and other attributes of a Share of that class of Shares.



Power to pay commissions and brokerage fees

The Company may pay a commission to any person in consideration of that person:

subscribing or agreeing to subscribe, whether absolutely or conditionally; or

procuring or agreeing to procure subscriptions, whether absolute or conditional

for any Shares in the Company. That commission may be satisfied by the payment of cash or the allotment of Fully Paid or partly-paid Shares or partly in one way and partly in another.

The Company may employ a broker in the issue of its capital and pay him any proper commission or brokerage.

Trusts not recognised

Except as required by law:

no person shall be recognised by the Company as holding any Share on any trust; and

no person other than the Member shall be recognised by the Company as having any right in a Share.

Power to vary class rights

If the share capital is divided into different classes of Shares then, unless the terms on which a class of Shares was issued state otherwise, the rights attaching to a class of Shares may only be varied if one of the following applies:

the Members holding two thirds of the issued Shares of that class consent in writing to the variation; or

the variation is made with the sanction of a Special Resolution passed at a separate general meeting of the Members holding the issued Shares of that class.

For the purpose of paragraph (b) of the preceding Article, all the provisions of these Articles relating to general meetings apply, mutatis mutandis, to every such separate meeting except that:

the necessary quorum shall be one or more persons holding, or representing by proxy, not less than one third of the issued Shares of the class; and



any Member holding issued Shares of the class, present in person or by proxy or, in the case of a corporate Member, by its duly authorised representative, may demand a poll.

Effect of new Share issue on existing class rights

Unless the terms on which a class of Shares was issued state otherwise, the rights conferred on the Member holding Shares of any class shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with the existing Shares of that class.

Capital contributions without issue of further Shares

With the consent of a Member, the directors may accept a voluntary contribution to the capital of the Company from that Member without issuing Shares in consideration for that contribution. In that event, the contribution shall be dealt with in the following manner:

It shall be treated as if it were a share premium.

Unless the Member agrees otherwise:

if the Member holds Shares in a single class of Shares - it shall be credited to the share premium account for that class of Shares;

if the Member holds Shares of more than one class - it shall be credited rateably to the share premium accounts for those classes of Shares (in the proportion that the sum of the issue prices for each class of Shares that the Member holds bears to the total issue prices for all classes of Shares that the Member holds).

It shall be subject to the provisions of the Act and these Articles applicable to share premiums.

No bearer Shares or warrants

The Company shall not issue Shares or warrants to bearers.

Treasury Shares

Shares that the Company purchases, redeems or acquires by way of surrender in accordance with the Act shall be held as Treasury Shares and not treated as cancelled if:

the directors so determine prior to the purchase, redemption or surrender of those shares; and

the relevant provisions of the Memorandum and Articles and the Act are otherwise complied with.



Rights attaching to Treasury Shares and related matters

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made to the Company in respect of a Treasury Share.

The Company shall be entered in the Register as the holder of the Treasury Shares. However:

the Company shall not be treated as a member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void;

a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Act.

Nothing in the preceding Article prevents an allotment of Shares as fully paid bonus shares in respect of a Treasury Share and Shares allotted as fully paid bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.

Treasury Shares may be disposed of by the Company in accordance with the Act and otherwise on such terms and conditions as the directors determine.

Share certificates

Issue of share certificates

Upon being entered in the register of members as the holder of a Share, a Member shall be entitled:

without payment, to one certificate for all the Shares of each class held by that Member (and, upon transferring a part of the Member's holding of Shares of any class, to a certificate for the balance of that holding); and

upon payment of such reasonable sum as the directors may determine for every certificate after the first, to several certificates each for one or more of that Member's Shares.

Every certificate shall specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and whether they are Fully Paid or partly paid up. A certificate may be executed under seal or executed in such other manner as the directors determine.



The Company shall not be bound to issue more than one certificate for Shares held jointly by several persons and delivery of a certificate for a Share to one joint holder shall be a sufficient delivery to all of them.

Renewal of lost or damaged share certificates

If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to:

evidence;

indemnity;

payment of the expenses reasonably incurred by the Company in investigating the evidence; and

payment of a reasonable fee, if any, for issuing a replacement share certificate

as the directors may determine, and (in the case of defacement or wearing-out) on delivery to the Company of the old certificate.

Lien on Shares

Nature and scope of lien

The Company has a first and paramount lien on all Shares (whether Fully Paid or not) registered in the name of a Member (whether solely or jointly with others). The lien is for all moneys payable to the Company by the Member or the Member's estate:

either alone or jointly with any other person, whether or not that other person is a Member; and

whether or not those moneys are presently payable.

At any time the directors may declare any Share to be wholly or partly exempt from the provisions of this Article.

Company may sell Shares to satisfy lien

The Company may sell any Shares over which it has a lien if all of the following conditions are met:

the sum in respect of which the lien exists is presently payable;



the Company gives notice to the Member holding the Share (or to the person entitled to it in consequence of the death or bankruptcy of that Member) demanding payment and stating that if the notice is not complied with the Shares may be sold; and

that sum is not paid within 14 Clear Days after that notice is deemed to be given under these Articles.

The Shares may be sold in such manner as the directors determine.

To the maximum extent permitted by law, the directors shall incur no personal liability to the Member concerned in respect of the sale.

Authority to execute instrument of transfer

To give effect to a sale, the directors may authorise any person to execute an instrument of transfer of the Shares sold to, or in accordance with the directions of, the purchaser. The title of the transferee of the Shares shall not be affected by any irregularity or invalidity in the proceedings in respect of the sale.

Consequences of sale of Shares to satisfy lien

On sale pursuant to the preceding Articles:

the name of the Member concerned shall be removed from the register of members as the holder of those Shares; and

that person shall deliver to the Company for cancellation the certificate for those Shares.

Despite this, that person shall remain liable to the Company for all monies which, at the date of sale, were presently payable by him to the Company in respect of those Shares. That person shall also be liable to pay interest on those monies from the date of sale until payment at the rate at which interest was payable before that sale or, failing that, at the Default Rate. The directors may waive payment wholly or in part or enforce payment without any allowance for the value of the Shares at the time of sale or for any consideration received on their disposal.

Application of proceeds of sale

The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable. Any residue shall be paid to the person whose Shares have been sold:

if no certificate for the Shares was issued, at the date of the sale; or



if a certificate for the Shares was issued, upon surrender to the Company of that certificate for cancellation

but, in either case, subject to the Company retaining a like lien for all sums not presently payable as existed on the Shares before the sale.

Calls on Shares and forfeiture

Power to make calls and effect of calls

Subject to the terms of allotment, the directors may make calls on the Members in respect of any moneys unpaid on their Shares including any premium. The call may provide for payment to be by instalments. Subject to receiving at least 14 Clear Days' notice specifying when and where payment is to be made, each Member shall pay to the Company the amount called on his Shares as required by the notice.

Before receipt by the Company of any sum due under a call, that call may be revoked in whole or in part and payment of a call may be postponed in whole or in part. Where a call is to be paid in instalments, the Company may revoke the call in respect of all or any remaining instalments in whole or in part and may postpone payment of all or any of the remaining instalments in whole or in part.

A Member on whom a call is made shall remain liable for that call notwithstanding the subsequent transfer of the Shares in respect of which the call was made. He shall not be liable for calls made after he is no longer registered as Member in respect of those Shares.

Time when call made

A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed.

Liability of joint holders

Members registered as the joint holders of a Share shall be jointly and severally liable to pay all calls in respect of the Share.

Interest on unpaid calls

If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid:



at the rate fixed by the terms of allotment of the Share or in the notice of the call; or
if no rate is fixed, at the Default Rate.

The directors may waive payment of the interest wholly or in part.

Deemed calls

Any amount payable in respect of a Share, whether on allotment or on a fixed date or otherwise, shall be deemed to be payable as a call. If the amount is not paid when due the provisions of these Articles shall apply as if the amount had become due and payable by virtue of a call.

Power to accept early payment

The Company may accept from a Member the whole or a part of the amount remaining unpaid on Shares held by him although no part of that amount has been called up.

Power to make different arrangements at time of issue of Shares

Subject to the terms of allotment, the directors may make arrangements on the issue of Shares to distinguish between Members in the amounts and times of payment of calls on their Shares.

Notice of default

If a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than 14 Clear Days' notice requiring payment of:

the amount unpaid;

any interest which may have accrued;

any expenses which have been incurred by the Company due to that person's default.

The notice shall state the following:

the place where payment is to be made; and

a warning that if the notice is not complied with the Shares in respect of which the call is made will be liable to be forfeited.



Forfeiture or surrender of Shares

If the notice under the preceding Article is not complied with, the directors may, before the payment required by the notice has been received, resolve that any Share the subject of that notice be forfeited. The forfeiture shall include all dividends or other moneys payable in respect of the forfeited Share and not paid before the forfeiture. Despite the foregoing, the directors may determine that any Share the subject of that notice be accepted by the Company as surrendered by the Member holding that Share in lieu of forfeiture.

Disposal of forfeited or surrendered Share and power to cancel forfeiture or surrender

A forfeited or surrendered Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the former Member who held that Share or to any other person. The forfeiture or surrender may be cancelled on such terms as the directors think fit at any time before a sale, re-allotment or other disposition. Where, for the purposes of its disposal, a forfeited or surrendered Share is to be transferred to any person, the directors may authorise some person to execute an instrument of transfer of the Share to the transferee.

Effect of forfeiture or surrender on former Member

On forfeiture or surrender:

the name of the Member concerned shall be removed from the register of members as the holder of those Shares and that person shall cease to be a Member in respect of those Shares; and

that person shall surrender to the Company for cancellation the certificate (if any) for the forfeited or surrendered Shares.

Despite the forfeiture or surrender of his Shares, that person shall remain liable to the Company for all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of those Shares together with:

all expenses; and

interest from the date of forfeiture or surrender until payment:

at the rate of which interest was payable on those moneys before forfeiture; or

if no interest was so payable, at the Default Rate.

The directors, however, may waive payment wholly or in part.



Evidence of forfeiture or surrender

A declaration, whether statutory or under oath, made by a director or the Secretary shall be conclusive evidence of the following matters stated in it as against all persons claiming to be entitled to forfeited Shares:

that the person making the declaration is a director or Secretary of the Company, and

that the particular Shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the Shares.

Sale of forfeited or surrendered Shares

Any person to whom the forfeited or surrendered Shares are disposed of shall not be bound to see to the application of the consideration, if any, of those Shares nor shall his title to the Shares be affected by any irregularity in, or invalidity of the proceedings in respect of, the forfeiture, surrender or disposal of those Shares.

Transfer of Shares

Form of transfer

Subject to the following Articles about the transfer of Shares, a Member may transfer Shares to another person by completing an instrument of transfer, in a common form or in a form approved by the directors, executed:

where the Shares are Fully Paid, by or on behalf of that Member; and

where the Shares are partly paid, by or on behalf of that Member and the transferee.

Power to refuse registration

The directors may refuse to register the transfer of a Share to any person. They may do so in their absolute discretion, without giving any reason for their refusal, and irrespective of whether the Share is Fully Paid or the Company has no lien over it.



Notice of refusal to register

If the directors refuse to register a transfer of a Share, they must send notice of their refusal to the existing Member within two months after the date on which the transfer was lodged with the Company.

Power to suspend registration

The directors may suspend registration of the transfer of Shares at such times and for such periods, not exceeding 30 days in any calendar year, as they determine.

Fee, if any, payable for registration

If the directors so decide, the Company may charge a reasonable fee for the registration of any instrument of transfer or other document relating to the title to a Share.

Company may retain instrument of transfer

The Company shall be entitled to retain any instrument of transfer which is registered; but an instrument of transfer which the directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

Transmission of Shares**Persons entitled on death of a Member**

If a Member dies, the only persons recognised by the Company as having any title to the deceased Members' interest are the following:

where the deceased Member was a joint holder, the survivor or survivors; and

where the deceased Member was a sole holder, that Member's personal representative or representatives.

Nothing in these Articles shall release the deceased Member's estate from any liability in respect of any Share, whether the deceased was a sole holder or a joint holder.

Registration of transfer of a Share following death or bankruptcy

A person becoming entitled to a Share in consequence of the death or bankruptcy of a Member may elect to do either of the following:



to become the holder of the Share; or

to transfer the Share to another person.

That person must produce such evidence of his entitlement as the directors may properly require.

If the person elects to become the holder of the Share, he must give notice to the Company to that effect. For the purposes of these Articles, that notice shall be treated as though it were an executed instrument of transfer.

If the person elects to transfer the Share to another person then:

if the Share is Fully Paid, the transferor must execute an instrument of transfer; and

if the Share is partly paid, the transferor and the transferee must execute an instrument of transfer.

All the Articles relating to the transfer of Shares shall apply to the notice or, as appropriate, the instrument of transfer.

Indemnity

A person registered as a Member by reason of the death or bankruptcy of another Member shall indemnify the Company and the directors against any loss or damage suffered by the Company or the directors as a result of that registration.

Rights of person entitled to a Share following death or bankruptcy

A person becoming entitled to a Share by reason of the death or bankruptcy of a Member shall have the rights to which he would be entitled if he were registered as the holder of the Share. But, until he is registered as Member in respect of the Share, he shall not be entitled to attend or vote at any meeting of the Company or at any separate meeting of the holders of that class of Shares in the Company.

Alteration of capital

Increasing, consolidating, converting, dividing and cancelling share capital

To the fullest extent permitted by the Act, the Company may by Ordinary Resolution do any of the following and amend its Memorandum for that purpose:



increase its share capital by new Shares of the amount fixed by that Ordinary Resolution and with the attached rights, priorities and privileges set out in that Ordinary Resolution;

consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

convert all or any of its Paid Up Shares into stock, and reconvert that stock into Paid Up Shares of any denomination;

sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and

cancel Shares which, at the date of the passing of that Ordinary Resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled or, in the case of Shares without nominal par value, diminish the number of Shares into which its capital is divided.

Dealing with fractions resulting from consolidation of Shares

Whenever, as a result of a consolidation of Shares, any Members would become entitled to fractions of a Share the directors may on behalf of those Members:

sell the Shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company); and

distribute the net proceeds in due proportion among those Members.

For that purpose, the directors may authorise some person to execute an instrument of transfer of the Shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall the transferee's title to the Shares be affected by any irregularity in, or invalidity of, the proceedings in respect of the sale.

Reducing share capital

Subject to the Act and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may, by Special Resolution, reduce its share capital in any way.

Redemption and purchase of own Shares



Power to issue redeemable Shares and to purchase own Shares

Subject to the Act, and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may by its directors:

issue Shares that are to be redeemed or liable to be redeemed, at the option of the Company or the Member holding those redeemable Shares, on the terms and in the manner its directors determine before the issue of those Shares;

with the consent by Special Resolution of the Members holding Shares of a particular class, vary the rights attaching to that class of Shares so as to provide that those Shares are to be redeemed or are liable to be redeemed at the option of the Company on the terms and in the manner which the directors determine at the time of such variation; and

purchase all or any of its own Shares of any class including any redeemable Shares on the terms and in the manner which the directors determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner authorised by the Act, including out of any combination of the following: capital, its profits and the proceeds of a fresh issue of Shares.

Power to pay for redemption or purchase in cash or in specie

When making a payment in respect of the redemption or purchase of Shares, the directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorised by the terms of the allotment of those Shares, or by the terms applying to those Shares in accordance with Article 9.1, or otherwise by agreement with the Member holding those Shares.

Effect of redemption or purchase of a Share

Upon the date of redemption or purchase of a Share:

the Member holding that Share shall cease to be entitled to any rights in respect of the Share other than the right to receive:

the price for the Share; and

any dividend declared in respect of the Share prior to the date of redemption or purchase;

the Member's name shall be removed from the register of members with respect to the Share; and



the Share shall be cancelled or held as a Treasury Shares, as the directors may determine.

For the purpose of this Article, the date of redemption or purchase is the date when the redemption or purchase falls due.

Meetings of Members

Power to call meetings

The directors may call a general meeting at any time.

If there are insufficient directors to constitute a quorum and the remaining directors are unable to agree on the appointment of additional directors, the directors must call a general meeting for the purpose of appointing additional directors.

The directors must also call a general meeting if requisitioned in the manner set out in the next two Articles.

The requisition must be in writing and given by one or more Members who together hold at least 10% of the rights to vote at such general meeting.

The requisition must also:

specify the purpose of the meeting.

be signed by or on behalf of each requisitioner (and for this purpose each joint holder shall be obliged to sign). The requisition may consist of several documents in like form signed by one or more of the requisitioners.

be delivered in accordance with the notice provisions.

Should the directors fail to call a general meeting within 21 Clear Days from the date of receipt of a requisition, the requisitioners or any of them may call a general meeting within three months after the end of that period.

Without limitation to the foregoing, if there are insufficient directors to constitute a quorum and the remaining directors are unable to agree on the appointment of additional directors, any one or more Members who together hold at least 10% of the rights to vote at a general meeting may call a general meeting for the purpose of considering the business specified in the notice of meeting which shall include as an item of business the appointment of additional directors.



If the Members call a meeting under the above provisions, the Company shall reimburse their reasonable expenses.

Content of notice

Notice of a general meeting shall specify each of the following:

the place, the date and the hour of the meeting;

if the meeting is to be held in two or more places, the technology that will be used to facilitate the meeting;

subject to paragraph (d), the general nature of the business to be transacted; and

if a resolution is proposed as a Special Resolution, the text of that resolution.

In each notice there shall appear with reasonable prominence the following statements:

that a Member who is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of that Member; and

that a proxyholder need not be a Member.

Period of notice

At least five Clear Days' notice of a general meeting must be given to Members. But a meeting may be convened on shorter notice with the consent of the Member or Members who, individually or collectively, hold at least 90% of the voting rights of all those who have a right to vote at that meeting.

Persons entitled to receive notice

Subject to the provisions of these Articles and to any restrictions imposed on any Shares, the notice shall be given to the following people:

the Members;

persons entitled to a Share in consequence of the death or bankruptcy of a Member; and

the directors.



Publication of notice on a website

Subject to the Act, a notice of a general meeting may be published on a website providing the recipient is given separate notice of:

the publication of the notice on the website;

the place on the website where the notice may be accessed;

how it may be accessed; and

the place, date and time of the general meeting.

If a Member notifies the Company that he is unable for any reason to access the website, the Company must as soon as practicable give notice of the meeting to that Member by any other means permitted by these Articles. But this will not affect when that Member is deemed to have received notice of the meeting.

Time a website notice is deemed to be given

A website notice is deemed to be given when the Member is given notice of its publication.

Required duration of publication on a website

Where the notice of meeting is published on a website, it shall continue to be published in the same place on that website from the date of the notification until the conclusion of the meeting to which the notice relates.

Accidental omission to give notice or non-receipt of notice

Proceedings at a meeting shall not be invalidated by the following:

an accidental failure to give notice of the meeting to any person entitled to notice; or

non-receipt of notice of the meeting by any person entitled to notice.

In addition, where a notice of meeting is published on a website, proceedings at the meeting shall not be invalidated merely because it is accidentally published:

in a different place on the website; or



for part only of the period from the date of the notification until the conclusion of the meeting to which the notice relates.

Proceedings at meetings of Members

Quorum

Save as provided in the following Article, no business shall be transacted at any meeting unless a quorum is present in person or by proxy. A quorum is as follows:

if the Company has only one Member: that Member;

if the Company has more than one Member: two Members.

Lack of quorum

If a quorum is not present within 15 minutes of the time appointed for the meeting, or if at any time during the meeting it becomes inquorate, then the following provisions apply:

If the meeting was requisitioned by Members, it shall be cancelled.

In any other case, the meeting shall stand adjourned to the same time and place seven days hence, or to such other time or place as is determined by the directors. If a quorum is not present within 15 minutes of the time appointed for the adjourned meeting, then the Members present in person or by proxy shall constitute a quorum.

Use of technology

A person may participate in a general meeting through the medium of conference telephone, video or any other form of communications equipment providing all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person participating in this way is deemed to be present in person at the meeting.

Chairman

The chairman of a general meeting shall be the chairman of the board or such other director as the directors have nominated to chair board meetings in the absence of the chairman of the board. Absent any such person being present within 15 minutes of the time appointed for the meeting, the directors present shall elect one of their number to chair the meeting.



If no director is present within 15 minutes of the time appointed for the meeting, or if no director is willing to act as chairman, the Members present in person or by proxy and entitled to vote shall choose one of their number to chair the meeting.

Right of a director to attend and speak

Even if a director is not a Member, he shall be entitled to attend and speak at any general meeting and at any separate meeting of Members holding a particular class of Shares in the Company.

Adjournment

The chairman may at any time adjourn a meeting with the consent of the Members constituting a quorum. The chairman must adjourn the meeting if so directed by the meeting. No business, however, can be transacted at an adjourned meeting other than business which might properly have been transacted at the original meeting.

Should a meeting be adjourned for more than seven Clear Days, whether because of a lack of quorum or otherwise, Members shall be given at least seven Clear Days' notice of the date, time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any notice of the adjournment.

Method of voting

A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of the show of hands, a poll is duly demanded. A poll may be demanded:

by the chairman; or

by any Member or Members present who, individually or collectively, hold at least 10% of the voting rights of all those who have a right to vote on the resolution.

Outcome of vote by show of hands

Unless a poll is duly demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the outcome of a show of hands without proof of the number or proportion of the votes recorded in favour of or against the resolution.



Withdrawal of demand for a poll

The demand for a poll may be withdrawn before the poll is taken, but only with the consent of the chairman. The chairman shall announce any such withdrawal to the meeting and, unless another person forthwith demands a poll, any earlier show of hands on that resolution shall be treated as the vote on that resolution; if there has been no earlier show of hands, then the resolution shall be put to the vote of the meeting.

Taking of a poll

A poll demanded on the question of adjournment shall be taken immediately.

A poll demanded on any other question shall be taken either immediately or at an adjourned meeting at such time and place as the chairman directs, not being more than 30 Clear Days after the poll was demanded.

The demand for a poll shall not prevent the meeting continuing to transact any business other than the question on which the poll was demanded.

A poll shall be taken in such manner as the chairman directs. He may appoint scrutineers (who need not be Members) and fix a place and time for declaring the result of the poll. If, through the aid of technology, the meeting is held in more than place, the chairman may appoint scrutineers in more than place; but if he considers that the poll cannot be effectively monitored at that meeting, the chairman shall adjourn the holding of the poll to a date, place and time when that can occur.

Chairman's casting vote

If the votes on a resolution, whether on a show of hands or on a poll, are equal the chairman may if he wishes exercise a casting vote.

Amendments to resolutions

An Ordinary Resolution to be proposed at a general meeting may be amended by Ordinary Resolution if:

not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), notice of the proposed amendment is given to the Company in writing by a Member entitled to vote at that meeting; and

the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.



A Special Resolution to be proposed at a general meeting may be amended by Ordinary Resolution, if:

the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and

the amendment does not go beyond what the chairman considers is necessary to correct a grammatical or other non-substantive error in the resolution.

If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

Written resolutions

Members may pass a resolution in writing without holding a meeting if the following conditions are met:

all Members entitled to vote are given notice of the resolution as if the same were being proposed at a meeting of Members;

all Members entitled so to vote :

sign a document; or

sign several documents in the like form each signed by one or more of those Members; and

the signed document or documents is or are delivered to the Company, including, if the Company so nominates, by delivery of an Electronic Record by Electronic means to the address specified for that purpose.

Such written resolution shall be as effective as if it had been passed at a meeting of the Members entitled to vote duly convened and held.

If a written resolution is described as a Special Resolution or as an Ordinary Resolution, it has effect accordingly.

The directors may determine the manner in which written resolutions shall be put to Members. In particular, they may provide, in the form of any written resolution, for each Member to indicate, out of the number of votes the Member would have been entitled to cast at a meeting to consider the resolution, how many votes he wishes to cast in favour of the resolution and how many against the resolution or to be treated as abstentions. The result of any such written resolution shall be determined on the same basis as on a poll.



Sole-member company

If the Company has only one Member, and the Member records in writing his decision on a question, that record shall constitute both the passing of a resolution and the minute of it.

Voting rights of Members

Right to vote

Unless their Shares carry no right to vote, or unless a call or other amount presently payable has not been paid, all Members are entitled to vote at a general meeting, whether on a show of hands or on a poll, and all Members holding Shares of a particular class of Shares are entitled to vote at a meeting of the holders of that class of Shares.

Members may vote in person or by proxy.

On a show of hands, every Member shall have one vote. For the avoidance of doubt, an individual who represents two or more Members, including a Member in that individual's own right, that individual shall be entitled to a separate vote for each Member.

On a poll a Member shall have one vote for each Share he holds, unless any Share carries special voting rights.

A fraction of a Share shall entitle its holder to an equivalent fraction of one vote.

No Member is bound to vote on his Shares or any of them; nor is he bound to vote each of his Shares in the same way.

Rights of joint holders

If Shares are held jointly, only one of the joint holders may vote. If more than one of the joint holders tenders a vote, the vote of the holder whose name in respect of those Shares appears first in the register of members shall be accepted to the exclusion of the votes of the other joint holder.

Representation of corporate Members

Save where otherwise provided, a corporate Member must act by a duly authorised representative.

A corporate Member wishing to act by a duly authorised representative must identify that person to the Company by notice in writing.



The authorisation may be for any period of time, and must be delivered to the Company not less than two hours before the commencement of the meeting at which it is first used.

The directors of the Company may require the production of any evidence which they consider necessary to determine the validity of the notice.

Where a duly authorised representative is present at a meeting that Member is deemed to be present in person; and the acts of the duly authorised representative are personal acts of that Member.

A corporate Member may revoke the appointment of a duly authorised representative at any time by notice to the Company; but such revocation will not affect the validity of any acts carried out by the duly authorised representative before the directors of the Company had actual notice of the revocation.

Member with mental disorder

A Member in respect of whom an order has been made by any court having jurisdiction (whether in the Islands or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by that Member's receiver, curator bonis or other person authorised in that behalf appointed by that court.

For the purpose of the preceding Article, evidence to the satisfaction of the directors of the authority of the person claiming to exercise the right to vote must be received not less than 24 hours before holding the relevant meeting or the adjourned meeting in any manner specified for the delivery of forms of appointment of a proxy, whether in writing or by Electronic means. In default, the right to vote shall not be exercisable.

Objections to admissibility of votes

An objection to the validity of a person's vote may only be raised at the meeting or at the adjourned meeting at which the vote is sought to be tendered. Any objection duly made shall be referred to the chairman whose decision shall be final and conclusive.

Form of proxy

An instrument appointing a proxy shall be in any common form or in any other form approved by the directors.

The instrument must be in writing and signed in one of the following ways:

by the Member; or



by the Member's authorised attorney; or

if the Member is a corporation or other body corporate, under seal or signed by an authorised officer, secretary or attorney.

If the directors so resolve, the Company may accept an Electronic Record of that instrument delivered in the manner specified below and otherwise satisfying the Articles about authentication of Electronic Records.

The directors may require the production of any evidence which they consider necessary to determine the validity of any appointment of a proxy.

A Member may revoke the appointment of a proxy at any time by notice to the Company duly signed in accordance with the Article above about signing proxies; but such revocation will not affect the validity of any acts carried out by the proxy before the directors of the Company had actual notice of the revocation.

How and when proxy is to be delivered

Subject to the following Articles, the form of appointment of a proxy and any authority under which it is signed (or a copy of the authority certified notarially or in any other way approved by the directors) must be delivered so that it is received by the Company at any time before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote. They must be delivered in either of the following ways:

In the case of an instrument in writing, it must be left at or sent by post:

to the registered office of the Company; or

to such other place within the Islands specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting.

If, pursuant to the notice provisions, a notice may be given to the Company in an Electronic Record, an Electronic Record of an appointment of a proxy must be sent to the address specified pursuant to those provisions unless another address for that purpose is specified:

in the notice convening the meeting; or

in any form of appointment of a proxy sent out by the Company in relation to the meeting; or

in any invitation to appoint a proxy issued by the Company in relation to the meeting.



Where a poll is taken:

if it is taken more than seven Clear Days after it is demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be delivered as required under the preceding Article not less than 24 hours before the time appointed for the taking of the poll;

but if it to be taken within seven Clear Days after it was demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be e delivered as required under the preceding Article not less than two hours before the time appointed for the taking of the poll.

If the form of appointment of proxy is not delivered on time, it is invalid.

Voting by proxy

A proxy shall have the same voting rights at a meeting or adjourned meeting as the Member would have had except to the extent that the instrument appointing him limits those rights. Notwithstanding the appointment of a proxy, a Member may attend and vote at a meeting or adjourned meeting. If a Member votes on any resolution a vote by his proxy on the same resolution, unless in respect of different Shares, shall be invalid.

Number of directors

Unless otherwise determined by Ordinary Resolution, the minimum number of directors shall be one and the maximum number shall be ten. There shall be no directors, however, until the first director is or the first directors are appointed by the subscriber or subscribers to the Memorandum.

Appointment, disqualification and removal of directors

First directors

The first directors shall be appointed in writing by the subscriber or subscribers to the Memorandum.

No age limit

There is no age limit for directors save that they must be aged at least 18 years.



Corporate directors

Unless prohibited by law, a body corporate may be a director. If a body corporate is a director, the Articles about representation of corporate Members at general meetings apply, mutatis mutandis, to the Articles about directors' meetings.

No shareholding qualification

Unless a shareholding qualification for directors is fixed by Ordinary Resolution, no director shall be required to own Shares as a condition of his appointment.

Appointment of directors

A director may be appointed by Ordinary Resolution or by the directors. Any appointment may be to fill a vacancy or as an additional director.

Notwithstanding the other provisions of these Articles, in any case where, as a result of death, the Company has no directors and no shareholders, the personal representatives of the last shareholder to have died have the power, by notice in writing to the Company, to appoint a person to be a director. For the purpose of this Article:

where two or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder;

if the last shareholder died leaving a will which disposes of that shareholder's shares in the Company (whether by way of specific gift, as part of the residuary estate, or otherwise):

the expression personal representatives of the last shareholder means:

until a grant of probate in respect of that will has been obtained from the Grand Court of the Cayman Islands, all of the executors named in that will who are living at the time the power of appointment under this Article is exercised; and

after such grant of probate has been obtained, only such of those executors who have proved that will;

without derogating from section 3(1) of the Succession Act (Revised), the executors named in that will may exercise the power of appointment under this Article without first obtaining a grant of probate.

A remaining director may appoint a director even though there is not a quorum of directors.



No appointment can cause the number of directors to exceed the maximum; and any such appointment shall be invalid.

Removal of directors

A director may be removed by Ordinary Resolution.

Resignation of directors

A director may at any time resign office by giving to the Company notice in writing or, if permitted pursuant to the notice provisions, in an Electronic Record delivered in either case in accordance with those provisions.

Unless the notice specifies a different date, the director shall be deemed to have resigned on the date that the notice is delivered to the Company.

Termination of the office of director

A director's office shall be terminated forthwith if:

he is prohibited by the law of the Islands from acting as a director; or

he is made bankrupt or makes an arrangement or composition with his creditors generally; or

in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a director; or

he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or

without the consent of the other directors, he is absent from meetings of directors for a continuous period of six months.

Alternate directors

Appointment and removal

Any director may appoint any other person, including another director, to act in his place as an alternate director. No appointment shall take effect until the director has given notice of the appointment to the other directors. Such notice must be given to each other director by either of the following methods:



by notice in writing in accordance with the notice provisions;

if the other director has an email address, by emailing to that address a scanned copy of the notice as a PDF attachment (the PDF version being deemed to be the notice unless Article 30.7 applies), in which event notice shall be taken to be given on the date of receipt by the recipient in readable form. For the avoidance of doubt, the same email may be sent to the email address of more than one director (and to the email address of the Company pursuant to Article 15.4(c)).

Without limitation to the preceding Article, a director may appoint an alternate for a particular meeting by sending an email to his fellow directors informing them that they are to take such email as notice of such appointment for such meeting. Such appointment shall be effective without the need for a signed notice of appointment or the giving of notice to the Company in accordance with Article 15.4.

A director may revoke his appointment of an alternate at any time. No revocation shall take effect until the director has given notice of the revocation to the other directors. Such notice must be given by either of the methods specified in Article 15.1.

A notice of appointment or removal of an alternate director must also be given to the Company by any of the following methods:

by notice in writing in accordance with the notice provisions;

if the Company has a facsimile address for the time being, by sending by facsimile transmission to that facsimile address a facsimile copy or, otherwise, by sending by facsimile transmission to the facsimile address of the Company's registered office a facsimile copy (in either case, the facsimile copy being deemed to be the notice unless Article 30.7 applies), in which event notice shall be taken to be given on the date of an error-free transmission report from the sender's fax machine;

if the Company has an email address for the time being, by emailing to that email address a scanned copy of the notice as a PDF attachment or, otherwise, by emailing to the email address provided by the Company's registered office a scanned copy of the notice as a PDF attachment (in either case, the PDF version being deemed to be the notice unless Article 30.7 applies), in which event notice shall be taken to be given on the date of receipt by the Company or the Company's registered office (as appropriate) in readable form; or

if permitted pursuant to the notice provisions, in some other form of approved Electronic Record delivered in accordance with those provisions in writing.



Notices

All notices of meetings of directors shall continue to be given to the appointing director and not to the alternate.

Rights of alternate director

An alternate director shall be entitled to attend and vote at any board meeting or meeting of a committee of the directors at which the appointing director is not personally present, and generally to perform all the functions of the appointing director in his absence.

For the avoidance of doubt:

if another director has been appointed an alternate director for one or more directors, he shall be entitled to a separate vote in his own right as a director and in right of each other director for whom he has been appointed an alternate; and

if a person other than a director has been appointed an alternate director for more than one director, he shall be entitled to a separate vote in right of each director for whom he has been appointed an alternate.

An alternate director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate director.

Appointment ceases when the appointor ceases to be a director

An alternate director shall cease to be an alternate director if the director who appointed him ceases to be a director.

Status of alternate director

An alternate director shall carry out all functions of the director who made the appointment.

Save where otherwise expressed, an alternate director shall be treated as a director under these Articles.

An alternate director is not the agent of the director appointing him.

An alternate director is not entitled to any remuneration for acting as alternate director.



Status of the director making the appointment

A director who has appointed an alternate is not thereby relieved from the duties which he owes the Company.

Powers of directors

Powers of directors

Subject to the provisions of the Act, the Memorandum and these Articles, the business of the Company shall be managed by the directors who may for that purpose exercise all the powers of the Company.

No prior act of the directors shall be invalidated by any subsequent alteration of the Memorandum or these Articles. However, to the extent allowed by the Act, Members may by Special Resolution validate any prior or future act of the directors which would otherwise be in breach of their duties.

Appointments to office

The directors may appoint a director:

as chairman of the board of directors;

as managing director;

to any other executive office

for such period and on such terms, including as to remuneration, as they think fit.

The appointee must consent in writing to holding that office.

Where a chairman is appointed he shall, unless unable to do so, preside at every meeting of directors.

If there is no chairman, or if the chairman is unable to preside at a meeting, that meeting may select its own chairman; or the directors may nominate one of their number to act in place of the chairman should he ever not be available.

Subject to the provisions of the Act, the directors may also appoint any person, who need not be a director:

as Secretary; and



to any office that may be required

for such period and on such terms, including as to remuneration, as they think fit. In the case of an Officer, that Officer may be given any title the directors decide.

The Secretary or Officer must consent in writing to holding that office.

A director, Secretary or other Officer of the Company may not hold the office, or perform the services, of auditor.

Remuneration

Every director may be remunerated by the Company for the services he provides for the benefit of the Company, whether as director, employee or otherwise, and shall be entitled to be paid for the expenses incurred in the Company's business including attendance at directors' meetings.

A director's remuneration shall be fixed by the Company by Ordinary Resolution. Unless that resolution provides otherwise, the remuneration shall be deemed to accrue from day to day.

Remuneration may take any form and may include arrangements to pay pensions, health insurance, death or sickness benefits, whether to the director or to any other person connected to or related to him.

Unless his fellow directors determine otherwise, a director is not accountable to the Company for remuneration or other benefits received from any other company which is in the same group as the Company or which has common shareholdings.

Disclosure of information

The directors may release or disclose to a third party any information regarding the affairs of the Company, including any information contained in the register of members relating to a Member, (and they may authorise any director, Officer or other authorised agent of the Company to release or disclose to a third party any such information in his possession) if:

the Company or that person, as the case may be, is lawfully required to do so under the laws of any jurisdiction to which the Company is subject; or

such disclosure is in compliance with the rules of any stock exchange upon which the Company's shares are listed; or

such disclosure is in accordance with any contract entered into by the Company; or



the directors are of the opinion such disclosure would assist or facilitate the Company's operations.

Delegation of powers

Power to delegate any of the directors' powers to a committee

The directors may delegate any of their powers to any committee consisting of one or more persons who need not be Members. Persons on the committee may include non-directors so long as the majority of those persons are directors.

The delegation may be collateral with, or to the exclusion of, the directors' own powers.

The delegation may be on such terms as the directors think fit, including provision for the committee itself to delegate to a sub-committee; save that any delegation must be capable of being revoked or altered by the directors at will.

Unless otherwise permitted by the directors, a committee must follow the procedures prescribed for the taking of decisions by directors.

Power to appoint an agent of the Company

The directors may appoint any person, either generally or in respect of any specific matter, to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers. The directors may make that appointment:

by causing the Company to enter into a power of attorney or agreement; or

in any other manner they determine.

Power to appoint an attorney or authorised signatory of the Company

The directors may appoint any person, whether nominated directly or indirectly by the directors, to be the attorney or the authorised signatory of the Company. The appointment may be:

for any purpose;

with the powers, authorities and discretions;

for the period; and

subject to such conditions



as they think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the directors under these Articles. The directors may do so by power of attorney or any other manner they think fit.

Any power of attorney or other appointment may contain such provision for the protection and convenience for persons dealing with the attorney or authorised signatory as the directors think fit. Any power of attorney or other appointment may also authorise the attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in that person.

Power to appoint a proxy

Any director may appoint any other person, including another director, to represent him at any meeting of the directors. If a director appoints a proxy, then for all purposes the presence or vote of the proxy shall be deemed to be that of the appointing director.

Articles 15.1 to 15.4 inclusive (relating to the appointment by directors of alternate directors) apply, mutatis mutandis, to the appointment of proxies by directors.

A proxy is an agent of the director appointing him and is not an officer of the Company.

Meetings of directors

Regulation of directors' meetings

Subject to the provisions of these Articles, the directors may regulate their proceedings as they think fit.

Calling meetings

Any director may call a meeting of directors at any time. The Secretary, if any, must call a meeting of the directors if requested to do so by a director.

Notice of meetings

Every director shall be given notice of a meeting, although a director may waive retrospectively the requirement to be given notice. Notice may be oral.

Period of notice

At least five Clear Days' notice of a meeting of directors must be given to directors. But a meeting may be convened on shorter notice with the consent of all directors.



Use of technology

A director may participate in a meeting of directors through the medium of conference telephone, video or any other form of communications equipment providing all persons participating in the meeting are able to hear and speak to each other throughout the meeting.

A director participating in this way is deemed to be present in person at the meeting.

Place of meetings

If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

Quorum

The quorum for the transaction of business at a meeting of directors shall be two unless the directors fix some other number or unless the Company has only one director.

Voting

A question which arises at a board meeting shall be decided by a majority of votes. If votes are equal the chairman may, if he wishes, exercise a casting vote.

Validity

Anything done at a meeting of directors is unaffected by the fact that it is later discovered that any person was not properly appointed, or had ceased to be a director, or was otherwise not entitled to vote.

Recording of dissent

A director present at a meeting of directors shall be presumed to have assented to any action taken at that meeting unless:

his dissent is entered in the minutes of the meeting; or

he has filed with the meeting before it is concluded signed dissent from that action; or

he has forwarded to the Company as soon as practical following the conclusion of that meeting signed dissent.

A director who votes in favour of an action is not entitled to record his dissent to it.



Written resolutions

The directors may pass a resolution in writing without holding a meeting if all directors sign a document or sign several documents in the like form each signed by one or more of those directors.

Despite the foregoing, a resolution in writing signed by a validly appointed alternate director or by a validly appointed proxy need not also be signed by the appointing director. But if a written resolution is signed personally by the appointing director, it need not also be signed by his alternate or proxy.

Such written resolution shall be as effective as if it had been passed at a meeting of the directors duly convened and held; and it shall be treated as having been passed on the day and at the time that the last director signs.

Sole director's minute

Where a sole director signs a minute recording his decision on a question, that record shall constitute the passing of a resolution in those terms.

Permissible directors' interests and disclosure

Permissible interests subject to disclosure

Save as expressly permitted by these Articles or as set out below, a director may not have a direct or indirect interest or duty which conflicts or may possibly conflict with the interests of the Company.

If, notwithstanding the prohibition in the preceding Article, a director discloses to his fellow directors the nature and extent of any material interest or duty in accordance with the next Article, he may:

be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is or may otherwise be interested;

be interested in another body corporate promoted by the Company or in which the Company is otherwise interested. In particular, the director may be a director, secretary or officer of, or employed by, or be a party to any transaction or arrangement with, or otherwise interested in, that other body corporate.

Such disclosure may be made at a meeting of the board or otherwise (and, if otherwise, it must be made in writing). The director must disclose the nature and extent of his direct or indirect interest in or duty in relation to a transaction or arrangement or series of transactions or arrangements with the Company or in which the Company has any material interest.



If a director has made disclosure in accordance with the preceding Article, then he shall not, by reason only of his office, be accountable to the Company for any benefit that he derives from any such transaction or arrangement or from any such office or employment or from any interest in any such body corporate, and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

Notification of interests

For the purposes of the preceding Articles:

a general notice that a director gives to the other directors that he is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that he has an interest in or duty in relation to any such transaction of the nature and extent so specified; and

an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

A director shall not be treated as having an interest in a transaction or arrangement if he has no knowledge of that interest and it is unreasonable to expect the director to have that knowledge.

Voting where a director is interested in a matter

A director may vote at a meeting of directors on any resolution concerning a matter in which that director has an interest or duty, whether directly or indirectly, so long as that director discloses any material interest pursuant to these Articles. The director shall be counted towards a quorum of those present at the meeting. If the director votes on the resolution, his vote shall be counted.

Where proposals are under consideration concerning the appointment of two or more directors to offices or employment with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each director separately and each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his or her own appointment.

Minutes

The Company shall cause minutes to be made in books kept for the purpose in accordance with the Act.

Accounts and audit



Accounting and other records

The directors must ensure that proper accounting and other records are kept, and that accounts and associated reports are distributed in accordance with the requirements of the Act.

No automatic right of inspection

Members are only entitled to inspect the Company's records if they are expressly entitled to do so by law, or by resolution made by the directors or passed by Ordinary Resolution.

Sending of accounts and reports

The Company's accounts and associated directors' report or auditor's report that are required or permitted to be sent to any person pursuant to any law shall be treated as properly sent to that person if:

they are sent to that person in accordance with the notice provisions: or

they are published on a website providing that person is given separate notice of:

the fact that publication of the documents has been published on the website;

the address of the website; and

the place on the website where the documents may be accessed; and

how they may be accessed.

If, for any reason, a person notifies the Company that he is unable to access the website, the Company must, as soon as practicable, send the documents to that person by any other means permitted by these Articles. This, however, will not affect when that person is taken to have received the documents under the next Article.

Time of receipt if documents are published on a website

Documents sent by being published on a website in accordance with the preceding two Articles are only treated as sent at least five Clear Days before the date of the meeting at which they are to be laid if:

the documents are published on the website throughout a period beginning at least five Clear Days before the date of the meeting and ending with the conclusion of the meeting; and



the person is given at least five Clear Days' notice of the hearing.

Validity despite accidental error in publication on website

If, for the purpose of a meeting, documents are sent by being published on a website in accordance with the preceding Articles, the proceedings at that meeting are not invalidated merely because:

those documents are, by accident, published in a different place on the website to the place notified;
or

they are published for part only of the period from the date of notification until the conclusion of that meeting.

When accounts are to be audited

Unless the directors or the Members, by Ordinary Resolution, so resolve or unless the Act so requires, the Company's accounts will not be audited. If the Members so resolve, the Company's accounts shall be audited in the manner determined by Ordinary Resolution. Alternatively, if the directors so resolve, they shall be audited in the manner they determine.

Financial year

Unless the directors otherwise specify, the financial year of the Company:

shall end on 31st December in the year of its incorporation and each following year; and

shall begin when it was incorporated and on 1st January each following year.

Record dates

Except to the extent of any conflicting rights attached to Shares, the directors may fix any time and date as the record date for declaring or paying a dividend or making or issuing an allotment of Shares. The record date may be before or after the date on which a dividend, allotment or issue is declared, paid or made.

Dividends



Declaration of dividends by Members

Subject to the provisions of the Act, the Company may by Ordinary Resolution declare dividends in accordance with the respective rights of the Members but no dividend shall exceed the amount recommended by the directors.

Payment of interim dividends and declaration of final dividends by directors

The directors may pay interim dividends or declare final dividends in accordance with the respective rights of the Members if it appears to them that they are justified by the financial position of the Company and that such dividends may lawfully be paid.

Subject to the provisions of the Act, in relation to the distinction between interim dividends and final dividends, the following applies:

Upon determination to pay a dividend or dividends described as interim by the directors in the dividend resolution, no debt shall be created by the declaration until such time as payment is made.

Upon declaration of a dividend or dividends described as final by the directors in the dividend resolution, a debt shall be created immediately following the declaration, the due date to be the date the dividend is stated to be payable in the resolution.

If the resolution fails to specify whether a dividend is final or interim, it shall be assumed to be interim.

In relation to Shares carrying differing rights to dividends or rights to dividends at a fixed rate, the following applies:

If the share capital is divided into different classes, the directors may pay dividends on Shares which confer deferred or non-preferred rights with regard to dividends as well as on Shares which confer preferential rights with regard to dividends but no dividend shall be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

The directors may also pay, at intervals settled by them, any dividend payable at a fixed rate if it appears to them that there are sufficient funds of the Company lawfully available for distribution to justify the payment.

If the directors act in good faith, they shall not incur any liability to the Members holding Shares conferring preferred rights for any loss those Members may suffer by the lawful payment of the dividend on any Shares having deferred or non-preferred rights.



Apportionment of dividends

Except as otherwise provided by the rights attached to Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amount paid up on the Shares during the time or part of the time in respect of which the dividend is paid. But if a Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.

Right of set off

The directors may deduct from a dividend or any other amount payable to a person in respect of a Share any amount due by that person to the Company on a call or otherwise in relation to a Share.

Power to pay other than in cash

If the directors so determine, any resolution declaring a dividend may direct that it shall be satisfied wholly or partly by the distribution of assets. If a difficulty arises in relation to the distribution, the directors may settle that difficulty in any way they consider appropriate. For example, they may do any one or more of the following:

issue fractional Shares;

fix the value of assets for distribution and make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members; and

vest some assets in trustees.

How payments may be made

A dividend or other monies payable on or in respect of a Share may be paid in any of the following ways:

if the Member holding that Share or other person entitled to that Share nominates a bank account for that purpose - by wire transfer to that bank account; or

by cheque or warrant sent by post to the registered address of the Member holding that Share or other person entitled to that Share.

For the purpose of paragraph (a) of the preceding Article, the nomination may be in writing or in an Electronic Record and the bank account nominated may be the bank account of another person. For the purpose of paragraph (b) of the preceding Article, subject to any applicable law or regulation, the



cheque or warrant shall be made to the order of the Member holding that Share or other person entitled to the Share or to his nominee, whether nominated in writing or in an Electronic Record, and payment of the cheque or warrant shall be a good discharge to the Company.

If two or more persons are registered as the holders of the Share or are jointly entitled to it by reason of the death or bankruptcy of the registered holder (**Joint Holders**), a dividend (or other amount) payable on or in respect of that Share may be paid as follows:

to the registered address of the Joint Holder of the Share who is named first on the register of members or to the registered address of the deceased or bankrupt holder, as the case may be; or

to the address or bank account of another person nominated by the Joint Holders, whether that nomination is in writing or in an Electronic Record.

Any Joint Holder of a Share may give a valid receipt for a dividend (or other amount) payable in respect of that Share.

Dividends or other moneys not to bear interest in absence of special rights

Unless provided for by the rights attached to a Share, no dividend or other monies payable by the Company in respect of a Share shall bear interest.

Dividends unable to be paid or unclaimed

If a dividend cannot be paid to a Member or remains unclaimed within six weeks after it was declared or both, the directors may pay it into a separate account in the Company's name. If a dividend is paid into a separate account, the Company shall not be constituted trustee in respect of that account and the dividend shall remain a debt due to the Member.

A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the Company.

Capitalisation of profits

Capitalisation of profits or of any share premium account or capital redemption reserve

The directors may resolve to capitalise:

any part of the Company's profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or



any sum standing to the credit of the Company's share premium account or capital redemption reserve, if any.

The amount resolved to be capitalised must be appropriated to the Members who would have been entitled to it had it been distributed by way of dividend and in the same proportions. The benefit to each Member so entitled must be given in either or both of the following ways:

(d) by paying up the amounts unpaid on that Member's Shares;

by issuing Fully Paid Shares, debentures or other securities of the Company to that Member or as that Member directs. The directors may resolve that any Shares issued to the Member in respect of partly paid Shares (**Original Shares**) rank for dividend only to the extent that the Original Shares rank for dividend while those Original Shares remain partly paid.

Applying an amount for the benefit of members

The amount capitalised must be applied to the benefit of Members in the proportions to which the Members would have been entitled to dividends if the amount capitalised had been distributed as a dividend.

Subject to the Act, if a fraction of a Share, a debenture, or other security is allocated to a Member, the directors may issue a fractional certificate to that Member or pay him the cash equivalent of the fraction.

Share premium account

Directors to maintain share premium account

The directors shall establish a share premium account in accordance with the Act. They shall carry to the credit of that account from time to time an amount equal to the amount or value of the premium paid on the issue of any Share or capital contributed or such other amounts required by the Act.

Debits to share premium account

The following amounts shall be debited to any share premium account:

on the redemption or purchase of a Share, the difference between the nominal value of that Share and the redemption or purchase price; and

any other amount paid out of a share premium account as permitted by the Act.



Notwithstanding the preceding Article, on the redemption or purchase of a Share, the directors may pay the difference between the nominal value of that Share and the redemption purchase price out of the profits of the Company or, as permitted by the Act, out of capital.

Seal

Company seal

The Company may have a seal if the directors so determine.

Duplicate seal

Subject to the provisions of the Act, the Company may also have a duplicate seal or seals for use in any place or places outside the Islands. Each duplicate seal shall be a facsimile of the original seal of the Company. However, if the directors so determine, a duplicate seal shall have added on its face the name of the place where it is to be used.

When and how seal is to be used

A seal may only be used by the authority of the directors. Unless the directors otherwise determine, a document to which a seal is affixed must be signed in one of the following ways:

by a director (or his alternate) and the Secretary; or

by a single director (or his alternate).

If no seal is adopted or used

If the directors do not adopt a seal, or a seal is not used, a document may be executed in the following manner:

by a director (or his alternate) and the Secretary; or

by a single director (or his alternate); or

in any other manner permitted by the Act.

Power to allow non-manual signatures and facsimile printing of seal

The directors may determine that either or both of the following applies:



that the seal or a duplicate seal need not be affixed manually but may be affixed by some other method or system of reproduction;

that a signature required by these Articles need not be manual but may be a mechanical or Electronic Signature.

Validity of execution

If a document is duly executed and delivered by or on behalf of the Company, it shall not be regarded as invalid merely because, at the date of the delivery, the Secretary, or the director, or other Officer or person who signed the document or affixed the seal for and on behalf of the Company ceased to be the Secretary or hold that office and authority on behalf of the Company.

Indemnity

Indemnity

To the extent permitted by law, the Company shall indemnify each existing or former Secretary, director (including alternate director), and other Officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former Secretary or Officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the existing or former Secretary's or Officer's duties, powers, authorities or discretions; and

without limitation to paragraph (a), all costs, expenses, losses or liabilities incurred by the existing or former Secretary or Officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the Islands or elsewhere.

No such existing or former Secretary or Officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

To the extent permitted by law, the Company may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former Secretary or Officer of the Company in respect of any matter identified in paragraph (a) or paragraph (b) of the preceding Article on condition that the Secretary or Officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the Secretary or that Officer for those legal costs.



Release

To the extent permitted by law, the Company may by Special Resolution release any existing or former director (including alternate director), Secretary or other Officer of the Company from liability for any loss or damage or right to compensation which may arise out of or in connection with the execution or discharge of the duties, powers, authorities or discretions of his office; but there may be no release from liability arising out of or in connection with that person's own dishonesty.

Insurance

To the extent permitted by law, the Company may pay, or agree to pay, a premium in respect of a contract insuring each of the following persons against risks determined by the directors, other than liability arising out of that person's own dishonesty:

an existing or former director (including alternate director), Secretary or Officer or auditor of:

the Company;

a company which is or was a subsidiary of the Company;

a company in which the Company has or had an interest (whether direct or indirect); and

a trustee of an employee or retirement benefits scheme or other trust in which any of the persons referred to in paragraph (a) is or was interested.

Notices

Form of notices

Save where these Articles provide otherwise, any notice to be given to or by any person pursuant to these Articles shall be:

in writing signed by or on behalf of the giver in the manner set out below for written notices; or

subject to the next Article, in an Electronic Record signed by or on behalf of the giver by Electronic Signature and authenticated in accordance with Articles about authentication of Electronic Records; or

where these Articles expressly permit, by the Company by means of a website.



Electronic communications

Without limitation to Articles 15.1 to 15.4 inclusive (relating to the appointment and removal by directors of alternate directors) and to Articles 17.8 to 17.10 inclusive (relating to the appointment by directors of proxies), a notice may only be given to the Company in an Electronic Record if:

the directors so resolve;

the resolution states how an Electronic Record may be given and, if applicable, specifies an email address for the Company; and

the terms of that resolution are notified to the Members for the time being and, if applicable, to those directors who were absent from the meeting at which the resolution was passed.

If the resolution is revoked or varied, the revocation or variation shall only become effective when its terms have been similarly notified.

A notice may not be given by Electronic Record to a person other than the Company unless the recipient has notified the giver of an Electronic address to which notice may be sent.

Persons authorised to give notices

A notice by either the Company or a Member pursuant to these Articles may be given on behalf of the Company or a Member by a director or company secretary of the Company or a Member.

Delivery of written notices

Save where these Articles provide otherwise, a notice in writing may be given personally to the recipient, or left at (as appropriate) the Member's or director's registered address or the Company's registered office, or posted to that registered address or registered office.

Joint holders

Where Members are joint holders of a Share, all notices shall be given to the Member whose name first appears in the register of members.

Signatures

A written notice shall be signed when it is autographed by or on behalf of the giver, or is marked in such a way as to indicate its execution or adoption by the giver.



An Electronic Record may be signed by an Electronic Signature.

Evidence of transmission

A notice given by Electronic Record shall be deemed sent if an Electronic Record is kept demonstrating the time, date and content of the transmission, and if no notification of failure to transmit is received by the giver.

A notice given in writing shall be deemed sent if the giver can provide proof that the envelope containing the notice was properly addressed, pre-paid and posted, or that the written notice was otherwise properly transmitted to the recipient.

Giving notice to a deceased or bankrupt Member

A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending or delivering it, in any manner authorised by these Articles for the giving of notice to a Member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description, at the address, if any, supplied for that purpose by the persons claiming to be so entitled.

Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

Date of giving notices

A notice is given on the date identified in the following table.

Method for giving notices	When taken to be given
Personally	At the time and date of delivery
By leaving it at the member's registered address	At the time and date it was left
If the recipient has an address within the Islands, by posting it by prepaid post to the street or postal address of that recipient	48 hours after it was posted
If the recipient has an address outside	7 Clear Days after posting



the Islands, by posting it by prepaid airmail to the street or postal address of that recipient	
By Electronic Record (other than publication on a website), to recipient's Electronic address	Within 24 hours after it was sent
By publication on a website	See the Articles about the time when notice of a meeting of Members or accounts and reports, as the case may be, are published on a website

Saving provision

None of the preceding notice provisions shall derogate from the Articles about the delivery of written resolutions of directors and written resolutions of Members.

Authentication of Electronic Records

Application of Articles

Without limitation to any other provision of these Articles, any notice, written resolution or other document under these Articles that is sent by Electronic means by a Member, or by the Secretary, or by a director or other Officer of the Company, shall be deemed to be authentic if either Article 30.2 or Article 30.4 applies.

Authentication of documents sent by Members by Electronic means

An Electronic Record of a notice, written resolution or other document sent by Electronic means by or on behalf of one or more Members shall be deemed to be authentic if the following conditions are satisfied:

the Member or each Member, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by one or more of those Members; and



the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, that Member to an address specified in accordance with these Articles for the purpose for which it was sent; and

Article 30.7 does not apply.

For example, where a sole Member signs a resolution and sends the Electronic Record of the original resolution, or causes it to be sent, by facsimile transmission to the address in these Articles specified for that purpose, the facsimile copy shall be deemed to be the written resolution of that Member unless Article 30.7 applies.

Authentication of document sent by the Secretary or Officers of the Company by Electronic means

An Electronic Record of a notice, written resolution or other document sent by or on behalf of the Secretary or an Officer or Officers of the Company shall be deemed to be authentic if the following conditions are satisfied:

the Secretary or the Officer or each Officer, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by the Secretary or one or more of those Officers; and

the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, the Secretary or that Officer to an address specified in accordance with these Articles for the purpose for which it was sent; and

Article 30.7 does not apply.

This Article applies whether the document is sent by or on behalf of the Secretary or Officer in his own right or as a representative of the Company.

For example, where a sole director signs a resolution and scans the resolution, or causes it to be scanned, as a PDF version which is attached to an email sent to the address in these Articles specified for that purpose, the PDF version shall be deemed to be the written resolution of that director unless Article 30.7 applies.

Manner of signing

For the purposes of these Articles about the authentication of Electronic Records, a document will be taken to be signed if it is signed manually or in any other manner permitted by these Articles.



Saving provision

A notice, written resolution or other document under these Articles will not be deemed to be authentic if the recipient, acting reasonably:

believes that the signature of the signatory has been altered after the signatory had signed the original document; or

believes that the original document, or the Electronic Record of it, was altered, without the approval of the signatory, after the signatory signed the original document; or

otherwise doubts the authenticity of the Electronic Record of the document

and the recipient promptly gives notice to the sender setting the grounds of its objection. If the recipient invokes this Article, the sender may seek to establish the authenticity of the Electronic Record in any way the sender thinks fit.

Transfer by way of continuation

The Company may, by Special Resolution, resolve to be registered by way of continuation in a jurisdiction outside:

the Islands; or

such other jurisdiction in which it is, for the time being, incorporated, registered or existing.

To give effect to any resolution made pursuant to the preceding Article, the directors may cause the following:

an application be made to the Registrar of Companies to deregister the Company in the Islands or in the other jurisdiction in which it is for the time being incorporated, registered or existing; and

all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

Winding up



Distribution of assets in specie

If the Company is wound up, the Members may, subject to these Articles and any other sanction required by the Act, pass a Special Resolution allowing the liquidator to do either or both of the following:

to divide in specie among the Members the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Members or different classes of Members;

to vest the whole or any part of the assets in trustees for the benefit of Members and those liable to contribute to the winding up.

No obligation to accept liability

No Member shall be compelled to accept any assets if an obligation attaches to them.

The directors are authorised to present a winding up petition

The directors have the authority to present a petition for the winding up of the Company to the Grand Court of the Cayman Islands on behalf of the Company without the sanction of a resolution passed at a general meeting.

Amendment of Memorandum and Articles

Power to change name or amend Memorandum

Subject to the Act, the Company may, by Special Resolution:

change its name; or

change the provisions of its Memorandum with respect to its objects, powers or any other matter specified in the Memorandum.

Power to amend these Articles

Subject to the Act and as provided in these Articles, the Company may, by Special Resolution, amend these Articles in whole or in part.





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

2023
ANNUAL REPORT

Company Profile

The Company was listed on the Main Board of 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 to feed to raw milk production, and has achieved a leading position in all business segments.

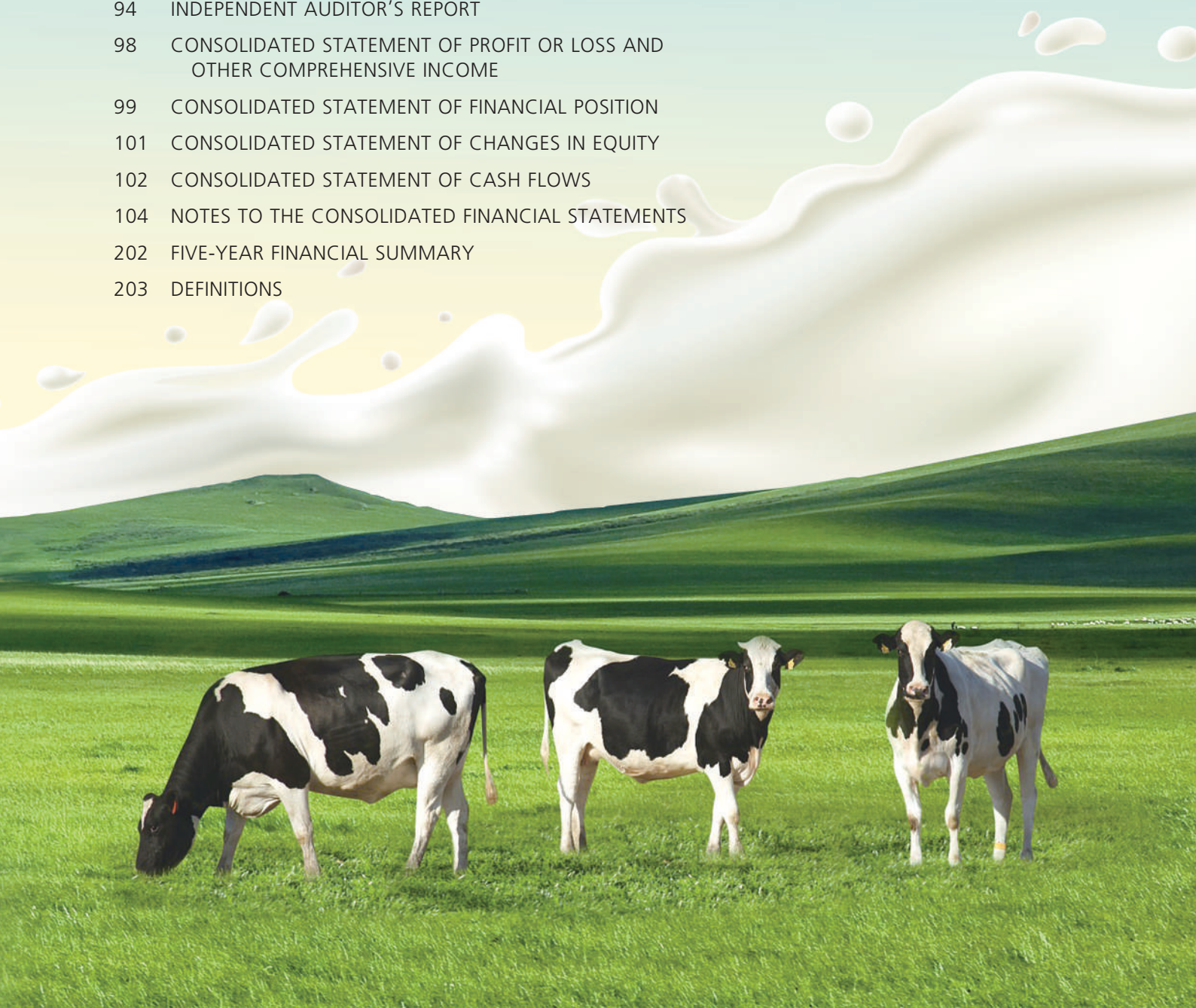
As of December 31, 2023, the Group operated 91 large-scale modern dairy farms, 15 feed mills, 15 forage grass plantation bases, 3 world-leading dairy cow key breeding bases and an online dairy farming industry chain platform "*Jumuc.com*", with a herd size of dairy cows of approximately 583,000 heads. For the year ended December 31, 2023, the Group's production of premium raw milk and specialty raw milk was approximately 3.02 million tons, with the specialty raw milk now including goat milk in addition to Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk, etc. During the Reporting Period, some of the Group's dairy goats have started lambing, which will further enrich the Group's supply matrix with specialty raw milk once production and operation are well underway. The Group produces nearly 1.185 million tons of concentrated feed products for dairy cows, beef cattle and sheep, dairy goats, camels, yaks and other livestock species. Through its online platform and 27 offline pick-up stores, the Group covers more than 5,000 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 cow amounted to 1,369,000 straws/units, of which the sales volume of embryos increased by 270.0% as compared with that in 2022, making us one of the dairy 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.



Contents

2	CORPORATE INFORMATION
5	HIGHLIGHTS
7	DISTRIBUTION MAP OF PRODUCTION BASES
8	PRESIDENT'S STATEMENT
12	AWARDS AND RECOGNITION
15	MANAGEMENT DISCUSSION AND ANALYSIS
49	REPORT OF DIRECTORS
67	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
75	CORPORATE GOVERNANCE REPORT
94	INDEPENDENT AUDITOR'S REPORT
98	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
99	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
101	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
102	CONSOLIDATED STATEMENT OF CASH FLOWS
104	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
202	FIVE-YEAR FINANCIAL SUMMARY
203	DEFINITIONS



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

Non-Executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)
(*resigned on July 28, 2023*)

Mr. Wu Xiang (武翔) (*Chairman*)
(*appointed on July 28, 2023*)

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

AUDIT COMMITTEE

Ms. Xie Xiaoyan (謝曉燕) (*Chairperson*)

Mr. Yao Feng (姚峰)

Mr. Qiu Zhongwei (邱中偉)

REMUNERATION COMMITTEE

Mr. Shen Jianzhong (沈建忠) (*Chairman*)

Ms. Xie Xiaoyan (謝曉燕)

Mr. Xu Jun (徐軍)

NOMINATION COMMITTEE

Mr. Yao Feng (姚峰) (*Chairman*)

Mr. Shen Jianzhong (沈建忠)

Mr. Xu, Zhan Kevin (許湛)

COMPANY SECRETARY

Ms. Yu Wing Sze (余詠詩)



Corporate Information

AUTHORISED REPRESENTATIVES

Mr. Dong Jiping (董計平)

Ms. Yu Wing Sze (余詠詩)

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two

Times Square

1 Matheson Street, Causeway Bay

Hong Kong

LEGAL ADVISORS

As to Hong Kong law

Skadden, Arps, Slate, Meagher & Flom and affiliates

As to Cayman Islands law

Ogier

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

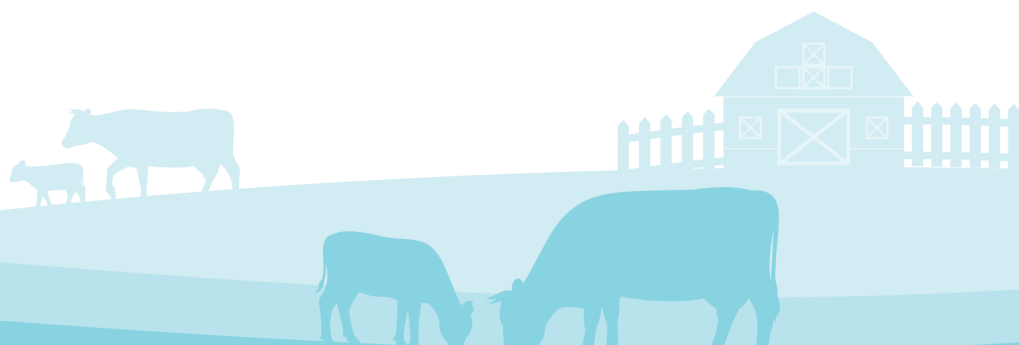
Ogier Global (Cayman) Limited

89 Nexus Way

Camana Bay

Grand Cayman, KY1-9009

Cayman Islands



Corporate Information

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
Fengye Mansion, No. 110, Daxue Road West
Hohhot, Inner Mongolia
China

STOCK CODE

9858

COMPANY WEBSITE

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



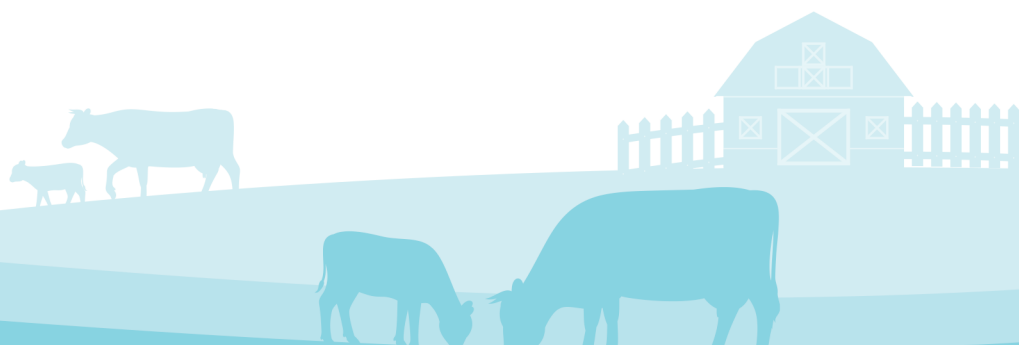
Highlights

	Year ended December 31, As of December 31,		Year-on-year change
	2023 RMB'000	2022 RMB'000	(%)
Revenue	18,693,896	18,050,761	3.6
Gross profit	4,469,785	4,223,722	5.8
(Loss)/profit attributable to owners of the Company	(1,049,980)	414,771	N/A
Non-IFRSs measures:			
Cash EBITDA ^{Note 1}	3,851,418	3,591,036	7.3
Profit for the year (before biological assets fair value adjustments) ^{Note 2}	2,160,379	2,023,102	6.8
	<i>Tons</i>	<i>Tons</i>	
Raw milk production	3,020,182	2,377,156	27.1
	<i>Heads</i>	<i>Heads</i>	
Herd size of dairy cows	582,739	499,451	16.7
Including: Milkable cows	284,208	231,709	22.7
Calves and heifers	298,531	267,742	11.5
Proportion of milkable cows in the herd size of dairy cows ^{Note 3}	48.8%	46.4%	Increased by 2.4 percentage points

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

Notes:

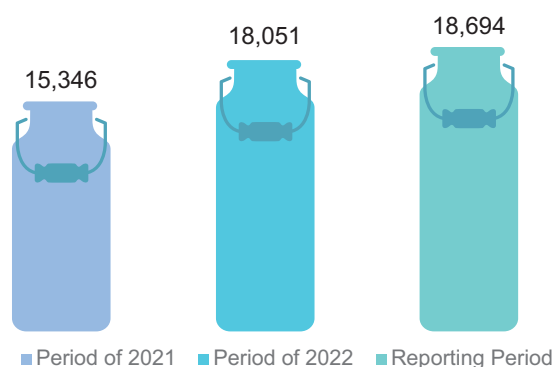
1. It represents (loss)/profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) loss arising from changes in fair value less costs to sell of biological assets, (v) income tax expense, (vi) finance costs, (vii) interest income, and (viii) depreciation and amortization charged to profit or loss.
2. It represents (loss)/profit for the year excluding loss arising from changes in fair value less costs to sell of biological assets.
3. Reproduction in self-operated dairy farms and import of quality heifers in new dairy farms led to a lower proportion of milkable cows in the herd size of dairy cows.



Highlights

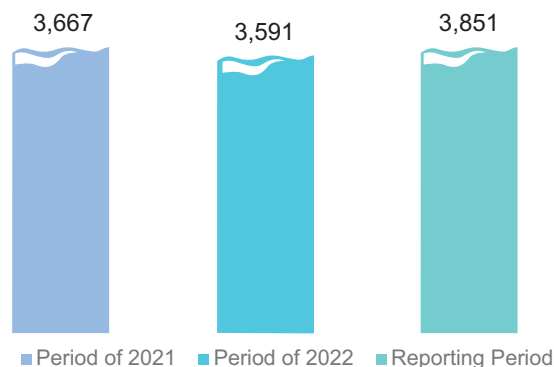
Steady growth of revenue

(RMB million)



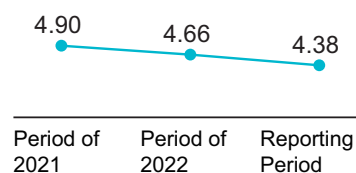
Cash EBITDA remains steady with YOY growth during the Reporting Period

(RMB million)

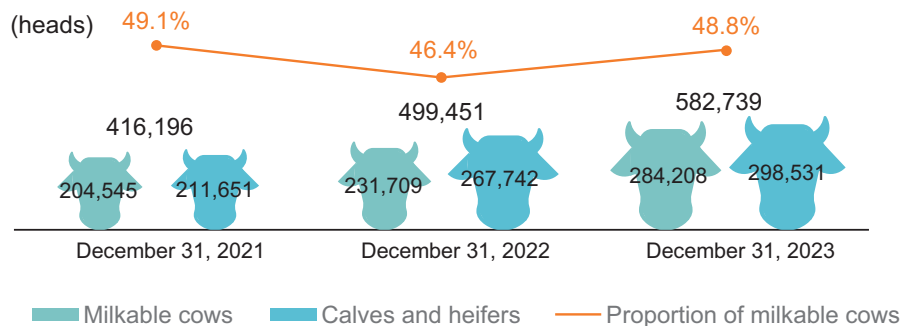


Price drop in raw milk but not as much as the market

(RMB/kg)

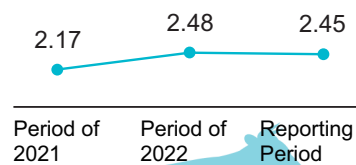


Continued expansion and YOY optimization of herds



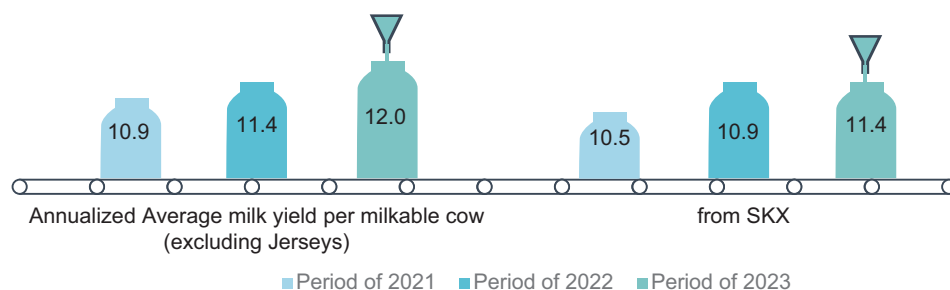
Feed cost of raw milk declines YOY during the Reporting Period

(RMB/kg)



Annualized average milk yield per milkable cow hits new high

(tons/head/year)



Distribution Map of Production Bases



91 self-operated dairy farms

Covering 17 provinces, municipalities and autonomous regions with a herd size of approximately 583,000 dairy cows



15 feed mills

Mainly produces concentrated feed products for dairy cows, beef cattle and sheep, dairy goats, camels, yaks and other livestock species, with an output of nearly 1.185 million tons



15 forage grass plantation bases

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



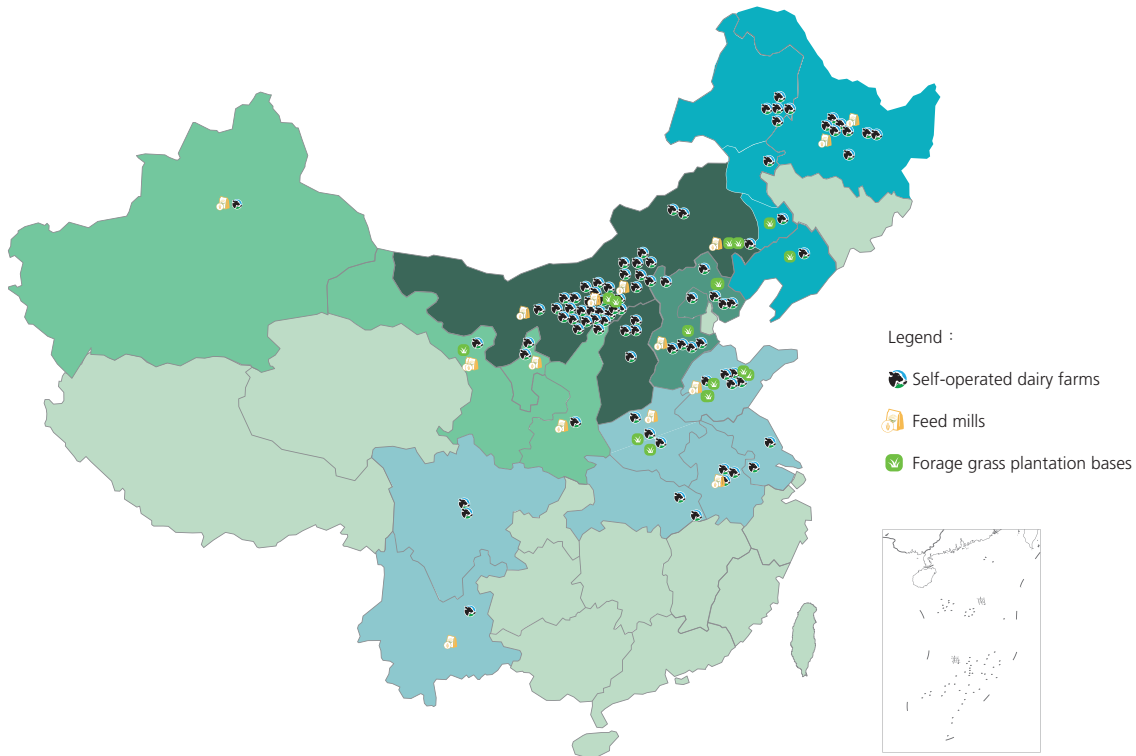
3 key breeding bases

The United States: Wisconsin
China: Horinger and Qingshuihe



1 dairy farming industry chain platform and 27 offline pick-up stores

Industry chain financial center, warehousing and logistics center, cloud sharing center and global procurement center
Provides more than 5,000 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	Self-operated dairy farms newly added in 2023	Feed mills	Forage grass plantation bases
Inner Mongolia Region	41	5	3	2
Northeast Region	17	5	3	4
North China Region	10	—	1	2
Central China Region	18	3	4	6
Northwest Region	5	1	4	1
Total	91	14	15	15

President's Statement



Yuan Jun
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 farming industry faced severe challenges due to the impact of the macro environment. These challenges included a decline in the selling price of raw milk, a decrease in the market price of beef cattle and heifers, and persistent high price for bulk raw materials. As a result, there was a substantial increase in the loss arising from changes in fair value less costs of sales of biological assets and a decline in the gross profit margin of the Group's raw milk business, leading to a loss attributable to the owners of the Company during the Reporting Period. Despite facing pressure and challenges, the Group has strengthened the leadership of its corporate culture, pooled together its efforts, continued to optimize the herd structure, enhanced the milk yield per milkable cow, the profitability of feed business and the quality of breeding products through technological empowerment and technological innovation, lowered costs and expenses, explored operating potentials, and promoted the high-quality development of the business. During the Reporting Period, the Group recorded a cash EBITDA of RMB3,851 million, representing a year-on-year increase of 7.3%, and a year-on-year increase in revenue of 3.6%. These figures clearly demonstrate the Group's steady and continuously improving operating fundamentals.

President's Statement



In terms of the raw milk business, as of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China, with a herd size of dairy cows of 582,739 heads, of which 284,208 were milkable cows, accounting for 48.8% of the total number of cows, representing a year-on-year increase of 2.4 percentage points, and the Group's continuous efforts to optimize its herd structure have achieved significant results. During the Reporting Period, the Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.0 tons, representing a year-on-year increase of 5.3%. Among them, the annualized average milk yield per milkable cow of premium raw milk dairy farms (excluding SKX) was 12.3 tons. Wuwei Dairy Farm, a dairy farm under the Group with 10,000 heads of cattle, reported that its unit daily yield of the whole herd of milkable cows exceeded 49 kg, reaching a world-leading level and setting a new industry benchmark. In respect of the comprehensive ruminant farming solutions business, the feed business innovated and upgraded its existing products, enhanced its product and brand power, and continued to expand its service capabilities during the Reporting Period. It also took the lead in the industry by setting up county-level animal husbandry service centers at the end of 2023 to facilitate the connection of nodes in the chain, solving the industry pain point of the "last-mile" delivery, providing customers with comprehensive one-stop solutions and promoting the high-quality development of the industry. The gross profit margin of the feed business has increased steadily as compared with that of 2022. During the Reporting Period, approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and the percentage of alfalfa silage protein index of 22% reached over 35%, reaching the top level of alfalfa hay in the United States. In respect of ruminant farming products marketplace business, offline extension of the brand was achieved and the scope and influence of the business was further broadened by brand licensing of original ruminant farming products and providing authorization to customers. In terms of breeding business, it continued to improve the quality and quantity of its breeding products through continuous investment and the development and application of core technologies, resulting in a year-on-year increase of 21.7% in revenue, among which the sales volume of the sex-sorted embryos increased by 270.0% year-on-year.

In order to consolidate the cornerstone of high-quality development, the Group continued to make efforts in research and development ("R&D") management, product quality, supply chain management, digital management and sustainable development during the Reporting Period.

President's Statement



In terms of R&D management, the Group had joined hands with strategic partners and scientific research institutions to benchmark advanced concepts and technologies for innovation and upgrading. During the Reporting Period, the Group extensively cooperated with Dr. Mike Hutjens, an internationally renowned dairy farming expert, Boehringer Ingelheim, a global leading biopharmaceutical company, Cargill, one of the world's four major grain traders, and renowned colleges and research institutions in the PRC, and launched strategic cooperation in various fields such as research on new technologies, development of new product, reduction of carbon emission, enhancement of animal health, and improvement of the quality and quantity of forage, breeding of high-quality dairy breeder and cultivation of top-tier talents. The strategic cooperation will bolster the quality and core competitiveness of the Group's products, while also reducing product costs and augmenting efficiency, thus injecting new momentum into the Group's development.

In terms of product quality management, the Group adhered to the mission of "Creating the Source Power for the Healthy Life of Human Beings with Quality", focusing on consolidating the foundation for quality management through three cores, namely quality culture, full-chain quality management and high-quality products and continuously adheres to "high quality, high standards and high requirements" for the production process to guarantee product quality. In January 2024, the website of the People's Government of the Inner Mongolia Autonomous Region announced the four enterprises that won the "2023 Autonomous Region Chairman's Quality Award". Among the crowd of participating enterprises, Inner Mongolia Youran, a subsidiary of the Company, emerged as the only upstream dairy enterprise in the Inner Mongolia Autonomous Region to be included on the list. During the Reporting Period, all of the Group's products passed the sampling inspection of quality conducted by national supervision and inspection authorities at all levels.

In terms of supply chain management, the Group applied a "full life cycle" supplier management system, actively explored new procurement models, and implemented various measures to achieve cost savings. During the Reporting Period, the Group's average feed cost of raw milk was RMB2.45/kg, representing a year-on-year decrease of 1.2%.

In terms of digital management, the Group adhered to the principle of "data-driven business innovation, technology-driven value-added business", and implemented a wide range of digital practices during the Reporting Period. It took the lead in the industry to build a "fully intelligent unmanned barn", which, using big data platform and algorithm model and intelligent AI equipment, gradually realized, among other things, automation in data collection, unmanned operation and remote management of dairy cattle breeding, as well as automation in enterprise scheduling, intelligent operation prediction, and flexibility in production management.

President's Statement



In terms of sustainable development, the Group adhered to the green, ecological and sustainable development strategy, vigorously promoted the long-term mechanism on sustainable development to set an example to the industry. During the Reporting Period, the Group's sustainable development strategies and practices were widely recognized. The Group was the first Chinese dairy farming enterprise to receive a "BB" rating after being included in the MSCI ESG rating of Morgan Stanley Capital International for the first time. We achieved a 25% improvement in our score on the S&P Global Corporate Sustainability Assessment (CSA) Questionnaire as compared with the previous year, and the score was higher than the industry average of approximately 95.7%, and ranked us in the top 15% of our industry peers that had completed assessment as of 2023.

Going forward, the Group will continue to adhere to the established strategy, implement the six core strategic initiatives, take innovation as the driving force, empower business through digitalization and lean management, fully leverage the strengths of our platform, whole industry chain and talents, adhere to green sustainable development, and build core competitiveness. Besides, the Group will improve the efficiency of operation and management, and expand revenue and profit margins through cost reduction and efficiency enhancement. The Group will effectively deliver the following products and services: a forage grass business that produces high-quality, high-yield and high-conversion rate forage grass; a breeding business that breeds superior breeding cattle and produces high-quality, low-cost frozen semen and embryos; a feed business that produces nutritionally-balanced feeds with notable effectiveness and cost advantage; and a raw milk business that produces high-quality, low-cost and highly functional raw milk. 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 of the Group and to create value for customers, Shareholders, employees and the society, thus contributing to the revitalization of China's dairy industry.

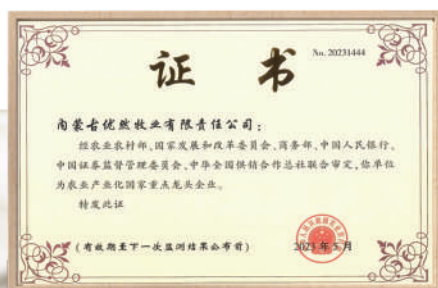
Finally, on behalf of the Board, I would like to express our gratitude to the Shareholders who have always trusted and supported the Group. In a complicated and volatile market environment, the trust and recognition of Shareholders is our motivation to move forward, and I would like to sincerely thank the Board, the management team and all staff for their unwavering dedication in the past year.

Yuan Jun

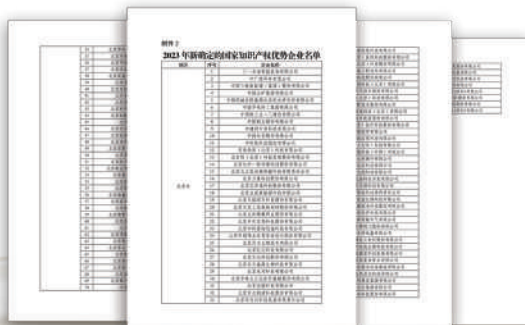
President

March 27, 2024

Awards and Recognition



①



②



③

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
1 Inner Mongolia Youran Dairy Co., Ltd.	Key National Leading Enterprise for Agricultural Industrialization May 2023	The Ministry of Agriculture and Rural Affairs of the People's Republic of China
2 Inner Mongolia Youran Dairy Co., Ltd.	National Intellectual Property Advantageous Enterprise November 2023	China National Intellectual Property Administration
3 Inner Mongolia Youran Dairy Co., Ltd.	Inner Mongolia Autonomous Region Chairman's Quality Award January 2024	People's Government of the Inner Mongolia Autonomous Region



④



⑤



⑥

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
4 Inner Mongolia Youran Dairy Co., Ltd.	2023 China Agricultural Enterprises Top 500 (ranked 60th) January 2024	Farmers' Daily News Agency
5 Inner Mongolia Youran Dairy Co., Ltd. The Standardization and Key Technologies of Intelligent Farms in Dairy Industry Project	First prize of the Autonomous Region Award for Progress in Science and Technology September 2023	People's Government of Inner Mongolia Autonomous Region
6 Inner Mongolia Youran Dairy Co., Ltd.	Top 100 Private Enterprises in Inner Mongolia (ranked 11th) September 2023	Inner Mongolia Autonomous Region Federation of Industry and Commerce Inner Mongolia Autonomous Region Development and Reform Commission

Awards and Recognition



⑦



⑧

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
7 Wulanchabu Muquan Yuanxing Feed Co. Ltd.	Inner Mongolia Autonomous Region "Green Factory" April 2023	Department of Industry and Information Technology of Inner Mongolia Autonomous Region
8 Inner Mongolia Youran Dairy Co., Ltd. Test Center	Hohhot City "May 1st" Women's Model Post April 2023	Hohhot City Federation of Trade Unions



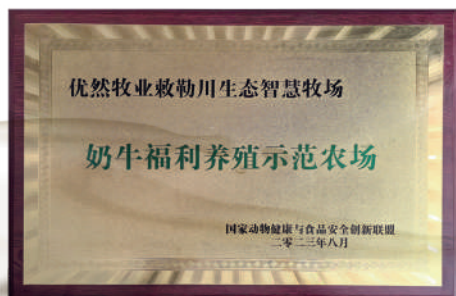
⑨



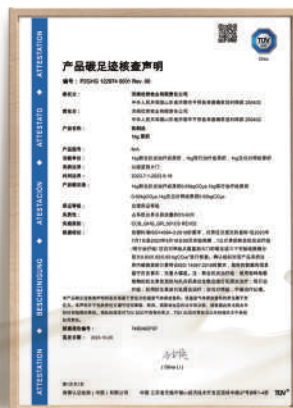
⑩

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
9 Inner Mongolia Youran Dairy Co., Ltd.	Award of Outstanding Contribution to Industrial Development for 2022 in Tumed Left Banner February 2023	Tumed Left Banner CPC Committee, People's Government of Tumed Left Banner
10 Inner Mongolia Youran Dairy Co., Ltd.	2023 Animal Health Science and Technology Innovation Award June 2023	China Animal Health and Food Safety Innovation Alliance

Awards and Recognition



⑪



⑫



⑬

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
11 Inner Mongolia Youran Dairy Co., Ltd. Chilechuan Ecological Intelligent Dairy Farm	Dairy Cow Welfare Farming Demonstration Farm August 2023	China Animal Health and Food Safety Innovation Alliance
12 Inner Mongolia Youran Dairy Co., Ltd.	China First Animal Health Carbon Footprint Certification October 2023	TUV SUD Certification and Testing (China) Co., Ltd
13 China Youran Dairy Group Limited	Jin'ge Award Ceremony for Listed Companies Listed Company – 2023 ESG Pioneer Award December 2023	Gelonghui



⑭



⑮

Awarded/Recognized No. Units	Names and Dates of Awards/Recognitions	Awarding/Recognizing Units
14 Inner Mongolia Youran Dairy Co., Ltd. Wuwei Dairy Farm	Farm with the Highest Daily Milk Yield per Dairy Cow in China March 2023	China Insights Industry Consultancy Limited
15 Inner Mongolia Muquan Yuanxing Feed Co., Ltd.	Model Enterprise by Customer Value September 2023	National Feed Engineering Technology Research Center, Feedtrade.com.cn



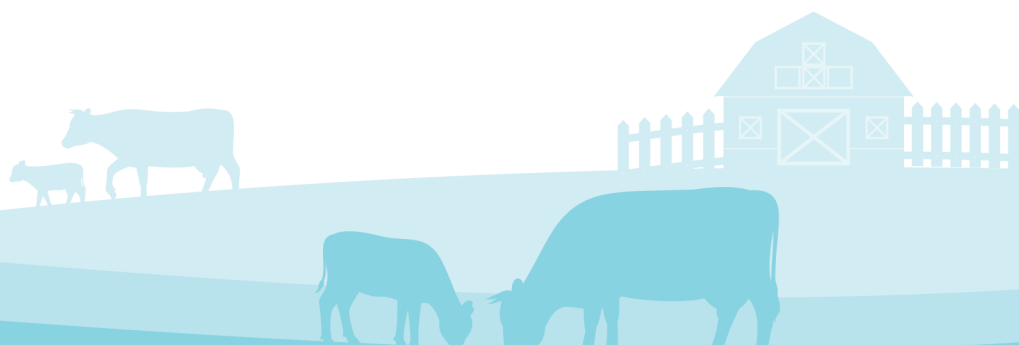
Management Discussion and Analysis

INDUSTRY REVIEW

During the Reporting Period, dairy consumption slackened slightly, and the dairy farming industry faced severe challenges, such as falling milk prices and rising feed cost, due to the impact of the economic situation. According to statistics presented by the Ministry of Agriculture and Rural Affairs of the People's Republic of China (the "**Ministry of Agriculture and Rural Affairs**"), during the Reporting Period, the average price of raw milk in major provinces of China's dairy industry was RMB3.84/kg, representing a decrease of approximately 7.7% from RMB4.16/kg in the Period of 2022, and the prices of soybean meal and corn in China remained high, with the average prices decreasing slightly as compared with the Period of 2022. According to statistics from China Customs, the price of imported alfalfa hay in China fell rapidly during the Reporting Period, but remained at a historically high level. In addition, the demands for ruminant concentrated feed and forage grass were also suppressed under the impact of tightened margins in the dairy farming industry. However, with the increase in large-scale dairy farms, there was still strong demand for high-quality breeding products in China. During the Reporting Period, China imported 13.231 million straws of frozen bovine semen, representing an increase of 7.2% as compared with the Period of 2022, according to the statistics provided by China Customs.

While supporting the production of dairy products, the Chinese government actively guides dairy product consumption. By optimizing the industrial structure and enhancing the construction of the entire industry chain, it continuously improves the development quality and competitiveness of domestic dairy products. The government has issued a series of policies to support and steer the development of dairy product consumption, the Chinese dairy farming industry, the modern forage industry and independent breeding capacity. The Chinese State Council issued the "14th Five-Year Plan for Promoting Agricultural and Rural Modernization", the "Opinions of the CPC Central Committee and the State Council on Learning from and Applying the Experience of the 'Green Rural Revival Program' to Vigorously and Effectively Promote the All-round Revitalization of Rural Areas", and other policies, which are directives calling for strengthening the construction of milk source bases, optimizing the structure of dairy products; enhancing standards for liquid milk, standardizing reconstituted milk labeling, and promoting fresh milk consumption. Major dairy provinces in China continuously fortified the regional raw milk supply capacity by increasing financial subsidies, innovating platform construction, and developing an integrated industrial system, so as to drive the leapfrog development of the dairy industry. Other provinces also issued supportive policies regarding market order and regional layout to steer the dairy industry through the challenges it faced in the short term.

With the deployment of national strategies, such as "Expanding Domestic Demand" and "Healthy China", growing health awareness after the pandemic and continuous improvement in the quality of dairy products of domestic brands, the potential of China's dairy products consumption will be gradually released, and the prospects for the consumption market are broad. Moreover, with the impact of tightened national land policy, increased environmental protection requirements, rising feed cost and other factors, more industry barriers of dairy farming are set up. Meanwhile, with the large-scale dairy farming industry's demand for technology, economy and efficiency optimization and the support and guidance of national policies, large-scale dairy farming technology groups that operate in an intelligent and digital way, build a forage-livestock matching system and have capabilities in feed R&D, as well as leading and independent herd genetic improvement and sex-sorting technologies and embryo technology will usher in more development opportunities.



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.

During the Reporting Period, the dairy farming industry in China faced the severe situation of milk price decline and high cost of bulk raw materials. The Group actively responded to challenges in the industry, seized opportunities, embraced certainties in high-quality development and achieved breakthroughs through technological empowerment. By leveraging its advantages in the scale as a leading enterprise and the business model covering the entire upstream dairy value chain, the Group continued to optimize products and product structure in an innovative way, lower costs, make strategic plans to expand business scale and coverage, promote the implementation of the TPM system and the practice of digital management to further enhance operational efficiency, establishing a new model for industrial ecological development of county-level animal husbandry service centers, vigorously explore the development of the online platform *Jumuc.com* and offline pick-up store channels, strengthen risk control, actively screen high-quality customers and strengthen the “product + service” strategy. As a result, the Group’s revenue increased by 3.6% from RMB18,051 million in the Period of 2022 to RMB18,694 million for the Reporting Period.

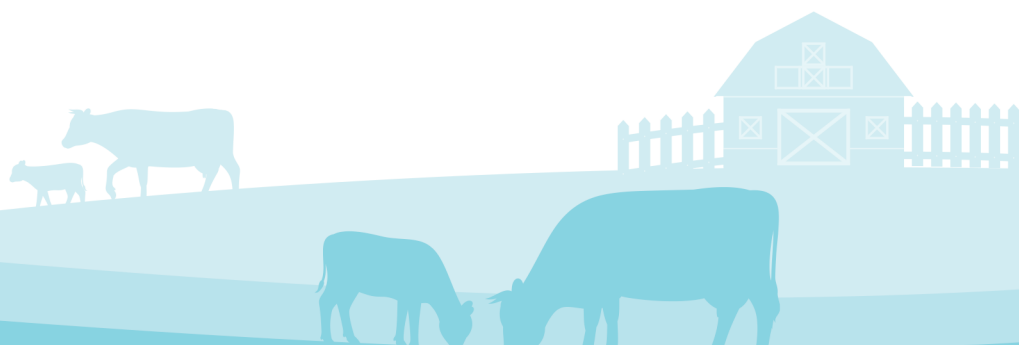
The following table sets forth the detailed information of the Group’s two business segments, i.e. raw milk and comprehensive ruminant farming solutions:

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 and organic Jersey milk etc.	As of December 31, 2023, the Group operated 91 modern dairy farms across 17 provinces in China, with a herd size of approximately 583,000 heads of dairy cows. During the Reporting Period, the Group’s raw milk production was approximately 3,020,000 tons and the annualized average milk yield per milkable cow (excluding Jerseys) was 12.0 tons, representing an increase of 5.3% from the Period of 2022. Among them, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.3 tons. During the Reporting Period, some of the dairy goats at the dairy goat farms that the Group strategically built started to lamb, such that once the dairy goat farms are in full production and operation, our specialty raw milk offerings will be further enriched.	During the Reporting Period, revenue from the Group’s raw milk business was approximately RMB12.9 billion, representing an increase of 18.9% from the Period of 2022 and accounted for approximately 69.0% of the Group’s total revenue during the Reporting Period.
Comprehensive ruminant farming solutions	Feed business	The Group provides nutrient concentrated feed and forage grass for dairy farms that meet the demands of ruminants for their growth and production, and offers ancillary ruminant farming support services, such as ruminant nutrition, breeding techniques, and ruminant healthcare for free.	As of December 31, 2023, the Group operated 15 feed mills and 15 forage grass plantation bases in China. During the Reporting Period, the Group’s production of concentrated feed was nearly 1,185,000 tons; approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and alfalfa silage with 22% protein index accounting for over 35%, achieving the highest quality level of American alfalfa hay.	During the Reporting Period, revenue from the Group’s comprehensive ruminant farming solutions was approximately RMB5.79 billion and accounted for approximately 31.0% 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 retailer platform, <i>Jumuc.com</i> , and offline ruminant farming products marketplace and offers ancillary ruminant farming support services to diversify its product offerings and further address its customers' business needs.	During the Reporting Period, the Group provided over 5,000 ruminant farming products through its online platform, <i>Jumuc.com</i> , and 27 offline pick-up stores to 25 provinces, municipalities and autonomous regions of China, covering core operations of dairy farms.	
	Breeding business	The Group provides dairy farms with, among others, common frozen semen, sex-sorted frozen semen and sex-sorted embryos of high-quality dairy cows and beef cows from China and overseas through its subsidiary, SKX.	As of December 31, 2023, the Group operated 3 key breeding bases. During the Reporting Period, the sales volume of the Group's breeding products was approximately 1,368,707 straws/units, among which the sales volume of sex-sorted embryos increased 270.0% as compared with that of the Period of 2022, making us one of the dairy breeding companies in China that pioneered the scaled production and commercial application of high-yield dairy cow sex-sorted embryos. During the Reporting Period, the construction of key breeding bases for beef cattle with the highest standard in the country has commenced.	



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. Benefiting from the steady growth of the Chinese economy, large dairy manufacturers experienced solid growth and the integrated development of the entire dairy industry chain continued to benefit the sustainable development of the Group's business. 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:

	For the year ended/ As of December 31, 2023	2022	Year-on-year change (%)
Number of self-operated dairy farms	91	78	Increased by 13 farms ^{Note 1}
Number of dairy cows (in heads)	582,739	499,451	16.7
Raw milk production volume (in tons)	3,020,182	2,377,156	27.1
Raw milk sales volume (in tons)	2,945,840	2,328,512	26.5
Average price of raw milk (RMB/kg)	4.38	4.66	(6.0)
Annualized average milk yield per milkable cow (excluding Jerseys ^{Note 2} ^{Note 3} (in tons)	12.0	11.4	5.3
Including: SKX (in tons)	11.4	10.9	4.6

Notes:

1. During the Reporting Period, the Group added 14 new dairy farms in operation and eliminated 1 small dairy farm.
2. 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 dairy cow as compared to Holsteins.
3. For the year ended December 31, 2023, 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, 2023, the Group operated 91 modern dairy farms across 17 provinces in China. The number of dairy cows of the Group increased by 16.7% from 499,451 as of December 31, 2022 to 582,739 as of December 31, 2023, including 284,208 milkable cows, accounting for 48.8% of the total number of the Group's dairy cows, increasing by 2.4 percentage points as compared with 46.4% as of December 31, 2022, mainly because the new dairy farms strategically built by the Group were fully put into operation earlier, leading to an increase in the number of milkable cows. The Group's optimized herd structure will provide strong support to the continuous improvement of production volume of raw milk and the sustainable herd expansion in the future.

During the Reporting Period, the Group added 14 new dairy farms in operation, among which, 3 are specialty dairy farms that the Group strategically built based on market demands to produce organic milk and Jersey milk, 3 are located in Shandong Province and Anhui Province, which are provinces in South-central China with a large population, strong economy, great consumption potential, scarce land resources and a long-term lack of raw milk, and the rest are all located in the Inner Mongolia Autonomous Region, Shanxi Province, Heilongjiang Province and the Xinjiang Uyghur Autonomous Region, which are provinces in the golden milk source belt. Other dairy farms under construction will be successively put into production and operation in 2024 and onwards. The Group also has a dairy goat milk business layout, with a planned herd size of 50,000 heads for its new dairy goat milk farm. The dairy goat milk farm is currently the biggest dairy goat milk farm in China and is about to be a world-class stud ram farm, which will further enrich the specialty raw milk offerings of the Group. Some of the pure Saanen dairy goats of the dairy goat milk farm imported from New Zealand and Australia started to lamb.

Dairy farms operation management and raw milk production volume

The Group's raw milk business, empowered by its technological strategic transformation, the effective promotion of lean management and the efficient synergy of its various businesses, has insisted on high yield and longevity, precise feeding and utilizing the advantages of breeding technology, resulting in a significant improvement in the operational efficiency of dairy farms. During the Reporting Period, the Group's raw milk production amounted to 3,020,182 tons, representing an increase of 27.1% from 2,377,156 tons for the Period of 2022, with an annualized average milk yield per milkable cow (excluding Jerseys) of 12.0 tons, representing an increase of 5.3% from 11.4 tons for the Period of 2022, among which, the annualized average milk yield per milkable cow of the premium raw milk dairy farms under the Group (excluding SKX) was 12.3 tons. Wuwei Dairy Farm, a dairy farm under the Group with 10,000 heads of cows, reported that its unit daily yield of the whole herd of milkable cows exceeded 49 kg, reaching a world-leading level and setting a new industry benchmark.

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

- i. Effective implementation of lean production management. The Group continues to apply the TPM system, practice lean production management extensively, strictly implement SOP feeding management process standards and enhance standardized operation of employees. The Group also steadily enhanced cow welfare and improve cow health and quality to realize cost reduction and efficiency enhancement. During the Reporting Period, focusing on the ongoing operation and development of dairy farms and the management of the whole life cycle of dairy cows, the Group continuously improved its dairy farms and enhanced its organizational and operational capabilities by applying the high-level tools, methods and expertise of TPM. Dayang Ranch successfully passed the health audit by the Japan Institute of Plant Maintenance (JIPM) for the Award for Excellence in Consistent TPM Commitment with a high average score of 85.24.
- ii. Effective synergies across businesses. The Group fully utilizes its own ruminant feed research results and advanced breeding techniques. Capitalizing on its own R&D team, dairy cow nutrition database and production bases, etc., the Group achieved precise nutrition and efficient milk production by dairy cows and stable supply of high-quality concentrated feed and forage grass, and increased the proportion of high-yield cow herd, thereby safeguarding the health of cows and ensuring high yield. During the Reporting Period, the Group improved the unit production of dairy cows, milk quality indicators and feed conversion efficiency, reduced operating costs and incidents of cow diseases, mitigated various kinds of stress reactions, and reduced methane emissions from dairy cow intestines through multiple rounds of evaluation and improvement of the implementation of precise nutritional formulas, optimization of formulas, usage of self-developed feed products, customization of premixes and functional products, and R&D and application of core technologies and products for carbon reduction in ruminants. The Group also improved the production performance of its cow herd by implementing a high-fertility cycle program.

Management Discussion and Analysis

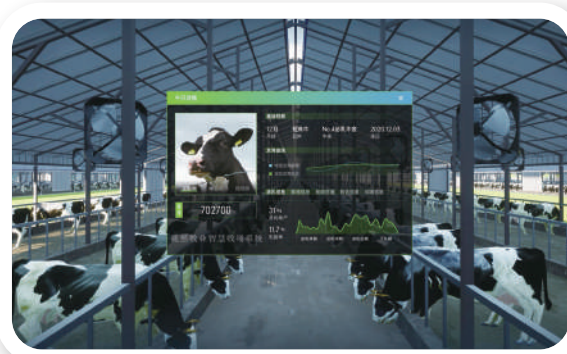
- iii. Empowering business with technology. The Group continues to practice technology empowered businesses, enhancing the digitalized accurate empowerment from operational decision-making to on-site operations, and apply its self-developed intelligent farm management system, the “Intelligent Farm Cloud”, to achieve accurate monitoring and healthcare for dairy cows. The Group continues to foster innovation in the development and application of Internet of Things (IoT) smart facilities in the dairy farming industry, comprehensively and continuously improve dairy cows welfare by applying the IoT to realize an intelligently monitored living space and production environment for dairy cows. The Group continuously established core herds with embryo technology, sex-sorting technologies, dairy cow cloning technology, genetic testing and other advanced breeding technologies. During the Reporting Period, the Group improved the operational efficiency of dairy farms and reduced operating costs by coordinating multiple systems. We upgraded the sprinkler system in cowsheds of certain dairy farms to an AI visual precision sprinkler system, which sprinkles water when there are cows present and stops when there are no cows detected, thereby maximizing water conservation, reducing heat stress in cows in summer, and improving the comfort of dairy cows. The Group conducted genetic testing on dairy cows in its self-operated dairy farms, and formulated corresponding breeding strategies based on the results of the genome test, which improved the profitability of the dairy farms. The Group conducted embryo transfer on approximately 12,000 dairy cows, which effectively improved the overall genetic level of the Group’s dairy cows, fully tapped the reproductive capacity of quality dairy cows, and greatly increased the economic benefits.
- iv. Strategically deploying new dairy farms and dairy goat farms. The Group’s existing and new dairy farms strategically planned in advance are releasing their production capacity. During the Reporting Period, 14 dairy farms in operation were newly added and some dairy goats started to lamb. After full production and operation of the dairy goat farms, the specialty raw milk offerings will be further enriched.



Management Discussion and Analysis

- v. Practicing low-carbon and environmental protection strategy. The Group proactively implements low-carbon and environmental protection strategy in dairy farms operation, actively introduces clean energy, accelerates the transformation and upgrading of energy structure, and extensively carries out energy saving and emission reduction projects. During the Reporting Period, 2 photovoltaic dairy farms had been connected to the grid and were generating electricity, 2 photovoltaic dairy farms were ready to be connected to the grid, and 4 photovoltaic dairy farms were newly contracted, which makes a total of 8 photovoltaic farm projects launched; 3 dairy farms replaced their fuel coal and biomass boilers with air source heat pumps and cumulatively a total of 53 dairy farms have completed such replacement; 19 dairy farms conducted waste heat recovery transformation and cumulatively a total of 52 dairy farms have completed such transformation. All old dairy farms have completed the waste heat recovery transformation, which has improved usage efficiency. The Group introduced new energy vehicles such as electric loaders and electric pushers, and promoted their application.

▼ Intelligent farm management system – the “Intelligent Farm Cloud”



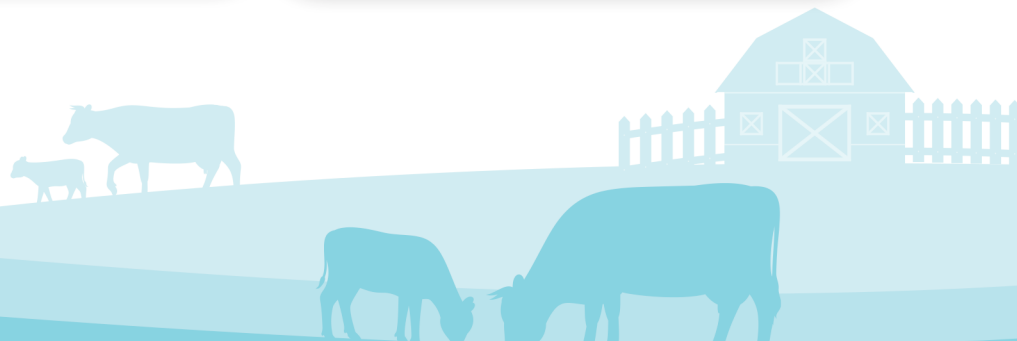
▼ Photovoltaic dairy farms



▼ Automatic feeding robots



▼ Fully automatic milking robots



Management Discussion and Analysis

Raw milk R&D and study on dairy farming technology

The Group, based on its own dairy nutrition database, has established a leading domestic R&D platform focusing on dairy cow nutrition and health. By introducing quality breeds through genetic screening of dairy cows, the Group conducted continuous research on the long-term nutritional metabolism, farming techniques and professional nutritional formula of dairy cows, and carried out feeding trials on its own farms to continuously improve the basic nutritional composition of raw milk such as milk protein and milk fat, and develop specialty raw milk to meet consumers' requirements for quality, taste and benefits. During the Reporting Period, the Group continued to expand its production capacity of A2 milk, Jersey milk and organic milk. Once the dairy goat farms that the Group strategically built are in full production and operation, our specialty raw milk offering will be further enriched. In addition, the Group used nutritional control measures such as energy-nitrogen balance technology, fatty acid application technology, and forage grass quality improvement technology to comprehensively improve the protein content in organic milk.

The Group actively facilitated the technical research on carbon emission reduction in dairy farming. During the Reporting Period, the Group jointly advanced the study on the Non-carbon Dioxide Greenhouse Gas Emission Reduction Strategy for Agricultural Production and Technology Cooperation R&D and Application 《農業生產非二氧化碳溫室氣體減排戰略及技術合作研發與應用》 and other projects together with Chinese Academy of Agricultural Sciences and other scientific research institutions and universities. The project mainly uses the Group's dairy farms as the experimental bases to carry out R&D experiments on low-carbon and emission-reduction environmental protection facilities for the treatment of livestock and poultry manure, so as to promote the continuous development of low-carbon and emission-reduction in the dairy farming industry.

▼ Jerseys



▼ Dairy goats



Management Discussion and Analysis

(II) Comprehensive Ruminant Farming Solutions

The Group deeply believes that high-quality grass, high-quality feed and quality breeding products are fundamental guarantees to the health and high milk yield of dairy cows. Benefiting from the continuous expansion of China's herd farming scale, the improvement of large-scale dairy farming and farming techniques, the Group's advantages in R&D capability, technical service capability, quality grass selection and cultivation technologies and advanced independent cow genetic improvement and sex-sorting technologies are increasingly highlighted.

The "product + service" operation model to upgrade service strength

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

Leveraging its strategies of the dual-talent systems of dairy farming and farming solutions, core technology accumulation of its in-house technical team, and its own long-term and large-scale farming advantages in different regions with different scales, the Group established a senior expert service team and pooled approximately 200 highly professional talents on technical services and with experience in dairy farm management to provide customers with various services such as comprehensive diagnosis, tailored solutions, breed selection and matching, accurate nutrition, effective breeding and technology escrow. These, together with the online services of the Group's online platform *Jumuc.com*, provide customers with comprehensive one-stop solutions.

During the Reporting Period, the Group established a cost reduction and efficiency enhancement project experiment team, and organized service teams to tailor cost reduction and efficiency enhancement service strategies for dairy farming customers. It joined forces with Agricultural Modeling and Training Systems, LLC (AMTS) of the United States and China Agricultural University to successfully introduce state-of-the-art dairy cow, beef cattle and sheep feed formula design applications, and equipped them with advanced and convenient diet testing tools to design and provide dairy cow and beef cattle and sheep nutrition feeding programs for customers more quickly, accurately and scientifically.

Concentrated feed business

The Group currently owns nine brands and offers a variety of concentrated feed under them, which are customized for different ruminants, including dairy cows, beef cattle, sheep, dairy goats, camel and yak. During the Reporting Period, with declining profits in the dairy farming industry, the Group's feed business timely adjusted its strategies and provided customers with comprehensive one-stop solutions by developing new products, upgrading existing products, enhancing technical service capabilities, optimizing marketing strategies, and constructing a new model for the ecological development of county-level animal husbandry service centres, so as to help customers enhance profitability. During the Reporting Period, the Group strengthened risk management and control and focused on high-quality customers. The sales volume of concentrated feed was 924,415 tons, representing a decrease of 15.4% as compared with 1,092,738 tons in the Period of 2022.

Management Discussion and Analysis

Overview and distribution of concentrated feed mills

The Group processes and produces concentrated feed through “self-construction dairy farms and cooperation with third parties”. As of December 31, 2023, the Group operated 15 feed mills in China, with a feed production capacity of 1.82 million tons. During the Reporting Period, the Group actively adjusted the production capacity of its feed mills based on market demands. The output of concentrated feed was 1,184,630 tons, representing a decrease of 13.7% compared with 1,372,507 tons in the Period of 2022. The Group’s newly built Hebei Feed Mill has been put into production and operation. The newly built feed mills are all equipped with state-of-the-art equipment and facilities as well as advanced technologies, laying a solid foundation for the steady improvement of the future efficiency of the Group. At the same time, the production capacity of the premix production plant in Ulaanchabu, which was put into operation in 2021, was further expanded. The production plant adopts the process equipment standard for infant milk powder for the production of premixes, with a product accuracy of up to 0.1%, providing a solution for the industry’s precise nutritional needs in the era of high yield productivity.

▼ Premix production plant



▼ Feed mills



Management Discussion and Analysis

Concentrated feed brand building and channel expansion to upgrade brand power

In respect of feed brand upgrading, the Group entered into a strategic cooperation agreement with Dr. Mike Hutjens, a famous dairy cow nutrient expert of the United States, an internationally prestigious dairy cow farming specialist and an editorial board member of the Nutrient Requirements of Dairy Cow, enabling the Group to fully integrate with international standards in terms of feed product technological R&D, product innovation capability and technical service level improvement, thereby advancing the Group's feed business to a world-leading level.

During the Reporting Period, the Group assisted the research team of Dr. Bu Dengpan of the Institute of Animal Science of the Chinese Academy of Agricultural Sciences (CAAS) in the translation and promotion of the Nutrient Requirements of Dairy Cow, contributing to the precise and balanced nutrition of dairy cows in China. The Group constantly increased exposure of the brand through outdoor advertisements, online marketing, online live broadcasting, and participation in the "China's Best Feed" award selection of the authoritative media in the industry. The Group formulated a brand upgrade plan and completed the upgrade of the packaging of the whole series of products to upgrade its brand image in an all-round way, so as to continuously expand the brand market influence of the Group's feed business and gradually improve the market share.

In terms of channel expansion of the feed business, on one hand, the Group has launched a series of marketing activities such as "Dairy Cow Health Protection, Calf Intestinal Health Protection, and Heat Stress Prevention and Control" through the online platform *Jumuc.com* during the Reporting Period, integrating market opportunities and taking into account the key points of the staged operations and the seasonal nutritional needs of the dairy farms. Through the "War Map" sales management initiative, the Group explored new markets and channels, effectively promoting the business development in markets such as Northwest and Southwest China. On the other hand, the Group continuously innovated and made breakthroughs, and took the lead in the industry in establishing a county-level animal husbandry service center at the end of 2023 to facilitate the connection of nodes in the chain, solving the industry pain point of the "last-mile" delivery, and promoting the high-quality development of the industry.

▼ Major brands of concentrated feed



Concentrated feed product development and technology research to promote product excellence

The Group continues to innovate and upgrade a wide range of concentrated feed products under its existing eight feed brands, promote the strategic cooperation with Dr. Mike Hutjens, an internationally renowned dairy farming expert, and leverage the most advanced dairy nutrition technology in the United States to create world-class high-yield, longevity feed products. In addition, in order to meet customer needs, the Group has developed and launched the yak feed brand "Mu Jinli (牧金利)", which has effectively expanded the market and provided strong product support for the continued development of the Tibet, Qinghai, Sichuan, and Yunnan markets.

Management Discussion and Analysis

In the field of dairy feed, the Group optimizes the formula of main products of calves feed, high-yield lactation feed, and peripartum feed to improve their performance through the optimization of energy, protein, level of trace minerals and amino acid and others through the application of the Group's self-developed rumen-protected patented technology, low-calcium anionic salt precision nutrition technology, and amino acid balance technology and leveraging the high-standard premix production process and high-quality raw material procurement advantages, and provides precise nutrition, health care and supporting technical services covering the whole life cycle of dairy cows to enhance the high productivity and longevity of dairy cows while reducing costs and increasing efficiency for customers. During the Reporting Period, newly launched products such as the dairy cow lactation period concentrate supplement "Airuite 127M", the dairy cow perinatal period concentrate supplement "Kangshunbao 13", and the calf concentrate supplement "Dute 180H" can effectively solve the pain points in dairy farming at key growth stages of dairy cows and help dairy farms reduce costs and increase efficiency.

In the area of beef cattle and sheep, dairy goat, camel and yak feed, the Group actively explores solutions for reducing costs and increasing efficiency for dairy farms, strengthens the combination of vitamins and trace elements, and at the same time adds rumen-regulating active substances to launch premix products aimed at improving the weight gaining performance of beef cattle and sheep, functional feed products that improve the acidity of dairy goat milk, and "camel breed" and "yak breed" feed products. During the Reporting Period, formula of beef cattle and sheep fattening products were upgraded to reduce costs and enhance fattening effect at the same time, thereby further enhancing the price-performance ratio of products and boosting sales volume. In addition, the Group launched a product for breeding cows that successfully addressed the issue of pica in breeding cows for the first time. The concentrate supplement product "6718" for breeding cows of beef cattle won the "Outstanding Award for Ruminant Feed Brand" of China's Best Feed. A new anti-heat stress product for dairy goats was launched to enhance the feed intake of dairy goats during heat stress, thereby realizing a smooth transition. The "camel breed" and "yak breed" feed products developed and launched by the Group effectively expanded the product market.

Extensively practicing lean production management to improve operational capabilities

The Group's feed business continued to apply the TPM system and extensively implemented lean management to continuously improve its operational capabilities. During the Reporting Period, the Group focused on promoting the feed production line to achieve zero-fault operation in 6 months, maintaining the optimal maintenance cost, comprehensively and deeply promoting supply chain improvement, reducing the total product cost, and improving the product cost competitiveness. The Sales Operations pillar (SO) was deeply implemented, and the lean method was extended to customers, establishing a good reputation for lean service. Through self-guided tutoring, the Group's feed mill in Linhe City, Inner Mongolia Autonomous Region, was successfully certified by the Japan Institute of Plant Maintenance (JIPM), an authoritative review organization, and passed the final review of the TPM Excellence Award during the Reporting Period.



Management Discussion and Analysis

Forage grass business

The Group laid out premium forage grass plantation bases centred on Ar Horqin Banner, the China's "Grass Capital". Based on the synergies between the livestock breeding and forage grass business segments, the Group achieved long-term sustainable business development through the model of integrated farming. The Group established ancillary forage grass plantation bases in proximity to our dairy farms and has built a total of 15 forage grass plantation bases for the production of high-quality forage grass products.

By undertaking scientific and technological research projects and together with the Group's practice of producing high-quality forage grass, the Group has further promoted the in-depth integration of production and technology, constantly made breakthroughs in field management and protection standard, and has made outstanding achievements in variety selection, standardized plantation, precise irrigation, alfalfa regreening, afforestation and sand fixation, to become a leading high-quality forage grass plantation enterprise in China. During the Reporting Period, approximately 53% of the quality of the alfalfa hay grown in our forage grass plantation bases was grade A and higher, and the percentage of alfalfa silage protein index of 22% reached over 35%, reaching the top level of alfalfa hay in the United States. The Group independently developed industry-leading forage grass breeding and planting technologies, such as alfalfa cold-resistant gene technology and alfalfa excellent germplasm hybridization technology, and independently created a set of hibernating system program for alfalfa hay, through which the overall re-greening rate of the Group's alfalfa hay reached over 85%, ranking top in the industry. The Group applied the wrapped silage technology that it took the lead in developing, through which, alfalfa silage can effectively retain alfalfa protein, improve the palatability of dairy cows, and assure the quality of alfalfa to the greatest extent. The Group applied the technology and model of integration of plantation and dairy farming that it took the lead in promoting in China, actively facilitated the improvement of saline-alkali and sandy land, and studied soil carbon sequestration technology to promote the "increase of foreign carbon sink exchange" of plantation bases. During the Reporting Period, the plantation base implemented no-tillage carbon sequestration seeding technology in about 53,000 mu land. The Group applied the industry's first SOP management system for alfalfa hay cultivation, achieving standardized management throughout the whole process. As a result, the quality and yield of forage grass continuously improved. The compliance rate of alfalfa silage reached 85%, representing an increase of 5% as compared with the Period of 2022. The corn silage yield per mu of Wuwei Forage Grass Plantation Base of the Group reached 4.75 tons, hitting another record high in large-scale corn silage yield for the region.

The Group actively undertakes experiment works of scientific and technological projects, empowering operations with science and technology. During the Reporting Period, the Group organized and carried out the implementation and mid-term acceptance of the project "Research and Integrated Demonstration of Key Production and Processing and Utilization Technology of Large-scale High-quality Alfalfa Hay (規模化優質苜蓿草關鍵生產與加工利用技術研究及集成示範)" and the open-competition project "Breeding of New Varieties of High-quality Alfalfa and Industrialization Demonstration (優質苜蓿新品種選育及產業化示範)" under the "Revitalizing Inner Mongolia through Science and Technology" campaign. It successfully applied for the open-competition projects "Key Technology Research and Demonstration of High-efficiency Water-saving in the Forage Belt of the Yellow River Basin in Inner Mongolia (內蒙古黃河流域飼草帶高效節水關鍵技術研究與示範)" and "Screening and Cultivation of High-quality Forage Suitable for Saline-alkali Land and Key Technology Research and Demonstration of Cultivation (鹽鹼地適栽優質飼草篩選及栽培關鍵技術研究與示範)" of Inner Mongolia Autonomous Region for 2023. In addition,



Management Discussion and Analysis

the Group has established the “Cooperation Platform of Five Major Scientific Research Institutes” to jointly carry out forage grass variety selection and breeding and industrialization technology R&D with the Grassland Research Institute of the CAAS, Beijing Forestry University, Inner Mongolia University, Inner Mongolia Agricultural University, and Jilin Agricultural University to improve the competitiveness of domestic forage grass.

▼ Forage grass plantation base



Ruminant farming products marketplace business

As of December 31, 2023, the Group provided over 5,000 ruminant farming products for customers through the Group’s online platform, *Jumuc.com*, and the sales network of 27 offline pick-up stores nationwide, involving various core business operations of dairy farms. During the Reporting Period, in order to upgrade *Jumuc.com* and enhance its commercial value, the Group has strategically transformed its platform business by brand licensing of original ruminant farming products and providing authorization to customers, and specifically took over the offline business of *Jumuc.com* to realize the offline extension of the brand, which further broadened the scope of business of *Jumuc.com* and influence. Through the integration of online and offline development, the Group has realized information exchange, convenient shopping and resource sharing in the upstream and downstream of the industry chain, and made full use of the Internet plus large logistics system to provide fast and efficient one-stop services for customers all over the country. The Group has also promoted the mutual development of the upstream and downstream partners of the industry chain, achieving a win-win situation.

In addition, *Jumuc.com* platform integrates global supply resources, and cooperates with more than ten renowned domestic and foreign suppliers to carry out projects such as product R&D, private brand establishment and authorized agent system, etc. At the same time, by cooperating with the world’s well-known suppliers, the Group introduced material pushing robots, calves feeding equipment and other new equipment and products, providing product and service support to achieve the intelligence and automation of dairy farms.



Management Discussion and Analysis

Breeding business

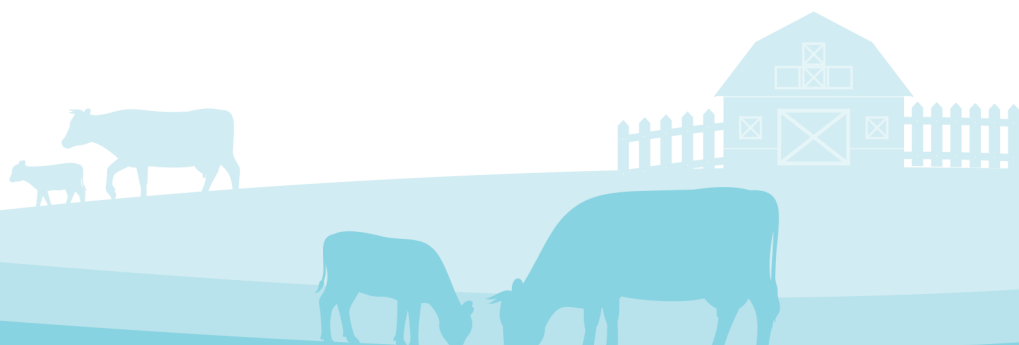
The Group offers high-quality domestic and overseas regular frozen bovine semen for dairy cattles and beef cattles, sex-sorted frozen bovine semen and embryos to dairy farms through SKX, a subsidiary of the Group.

The Group accelerated its independent cultivation of world-class top-class breeding bulls and carried out strategic cooperation with the world's leading breeding companies to secure the world's top breeds. It has also established strategic breeding partnerships with customers, promoted the commercial application of whole genome testing in dairy farms, and combined sex-sorted embryo production and transfer technology to provide customers with precise improvement plans and establish core herds. At the same time, the Group leveraged the online platform *Jumuc.com* to improve penetration of platform customers, thereby continuously improving the competitiveness and market share of breeding products. During the Reporting Period, the revenue from breeding business increased by 21.7% as compared with the Period of 2022, and the sales volume of the breeding products increased by 11.3% from 1,230,050 straws/units in the Period of 2022 to 1,368,707 straws/units, among which the sales volume of the sex-sorted embryos increased by 270.0% as compared with the Period of 2022, becoming one of the breeding companies in China that pioneered the large-scale production and commercial application of high-yield dairy cow sex-sorted embryos.

Overview and distribution of breeding bases

The Group is operating a total of three breeding farms in Inner Mongolia, China and Wisconsin, the United States, one of which is a core breeding farm operated in Inner Mongolia that meets international standards with a designed capacity of 3,500 dairy cows and is equipped with a world-class embryo production laboratory, which is committed to developing into an international first-class platform for the germplasm innovation. Leveraging the integrated application of ovum pick-up-in vitro fertilization (OPU-IVF) technology and sex-sorted technology, it rapidly expanded the breeding of high-yield dairy cows and breeding cows and bred high-yield dairy cows and reserve breeding bulls on a large-batch basis. The breeding farm and embryo engineering center have been put into production and operation, possessing a future production capacity of 50,000 high-yield sex-sorted embryos, with an annual production capacity exceeding 14 tons, as well as the capability to produce 2,000 breeding embryos and 500 breeding bulls, which will make it the largest and the most comprehensively integrated quality cow breed supply base in China, so as to solve the current shortage of high-yield dairy cows in China. The full operation of the breeding farm will enhance the profitability of the Group and lay a foundation for maintaining high growth of the Group's breeding business.

During the Reporting Period, the Group commenced the construction of the beef cattle core breeding base with the highest standards in China, which, upon completion, will be able to breed 200 high-quality breeding bulls and produce one million straws of frozen bovine semen annually. The Group is committed to building a large-scale and high-quality production platform for beef cattle breeding embryos and breeding sex-sorted frozen bovine semen.



Management Discussion and Analysis

Breeding product development and technological innovation

The Group strengthened the top-class cultivation of dairy breeding bulls, domestically-produced regular and sex-sorted frozen semen, production technology and quality of sex-sorted embryos and bovine embryo through, among others, genetic evaluation technology, sex-sorted technology, cow cloning technology and embryo technology, to empower the national strategy of germplasm resources security and independent breeding technology. At the same time, the Group leveraged its technological edge to expand new technology and new products in breeding business for beef cattles and dairy goats, enhancing the diversity and market competitiveness of the breeding products.

Through the efforts of its independent R&D technology team, the Group developed the “κ-casein genotype identification method for dairy cows” and a new technology for genetic identification of A2 dairy cows during the Reporting Period, thus reserving key technologies for the development of the Group’s specialty raw milk. The Group jointly established a key technology and gene editing platform for the development of new livestock stem cells, successfully edited TK and H lactoferrin stem cell lines and cloned dairy goats with TK gene editing. In addition, the Group also actively researched on new products and technology, to improve the efficiency of in vitro embryo production of dairy cows, to expand the range of dairy cows using sex-sorted frozen semen, to shorten the early pregnancy detection time for dairy cows, and to improve the efficiency of the in vitro sex-sorted embryo cryopreservation.

Through the Group’s continuous investment and the development and application of core technologies, the Genomic Total Performance Index (GTPI) of a breeding bull bred by SKX’s joint venture station in the United States ranked 54th according to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2023. Meanwhile, SKX has bred the 1st-ranked dairy breeding bull among the genomic bulls from China registered with the American National Association of Animal Breeders. Also, 16 of its breeding bulls are ranked among the top 20 in China.

During the Reporting Period, SKX’s “Key Laboratory of Cattle Germplasm Creation and Breeding Engineering” was selected into the list of key laboratories of enterprises published by the Ministry of Agriculture and Rural Areas. The laboratory is an important base for the country to carry out scientific and technological innovation activities for the breeding industry, cultivate scientific and technological innovation achievements, and gather high-level livestock breeding technology talents. The selection will provide an important platform for the Group to exchange and cooperate with the industry in agricultural science and technology. The Group will continue to focus on key scientific tasks including the “Integration of Development of New Technologies on Dairy Cow Breeding and Innovation of Key Technologies on Breeding and Reproduction” and “Key Technological Innovation for the Exploration of High-end Dairy Breed Source and Efficient Reproduction”, so as to build up key technologies in the breeding industry, contributing to the “revitalization of the dairy industry” and “revitalization of breeding industry” of the state. The Group’s two dairy herd improvement (DHI) laboratories have successfully passed the review of the Ministry of Agriculture and Rural Affairs. Through the research and application of the DHI technology, the Group has continuously improved the production performance of self-owned and customers’ dairy herds, thereby accelerating the process of breeding industry innovation, and continuously contributing to the independent breeding capacity of dairy cow and revitalization of the dairy industry.

The Group actively carries out research on the establishment of low-emission dairy cow model and breeding selection. During the Reporting Period, the Group, in conjunction with Huazhong Agricultural University, took the lead in establishing a prediction model for methane emissions from dairy cows in China, and conducted research on rapid detection technology for methane emissions from dairy cows, providing scientific basis and technical support for high-yield and low-carbon dairy farming model.

- ▼ The Group’s 1st-ranked dairy breeding bull among the genomic bulls from China ▼ Embryo production laboratory

{ 291HO22027 / G220016
Date of Birth : 2022-12-01 }

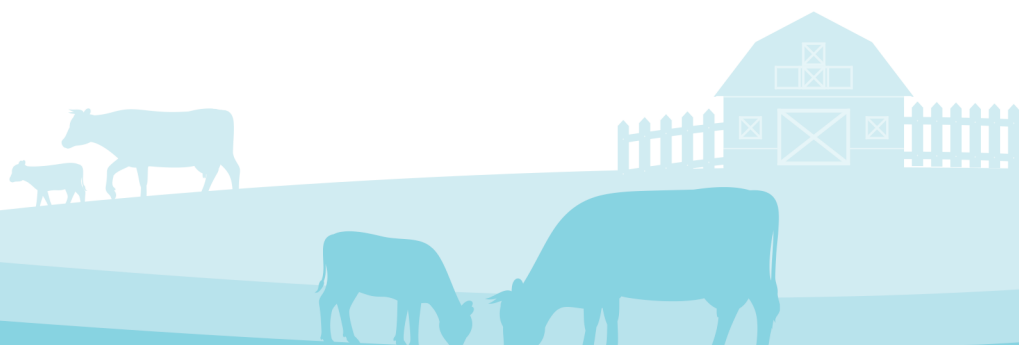


Management Discussion and Analysis

II. R&D STRATEGIES MANAGEMENT

Leveraging nearly four decades of experience in operation and research, and its own breeding sources of approximately 583,000 dairy cows, the Group has been committed to the R&D efforts of the whole industry chain in the upstream dairy industry, mainly including research on dairy farming technologies, development of specialty raw milk, research on the nutrition value of feed, research on genetic improvement technology and sex-sorting technology for cattle, as well as exploration and practice of integrated farming model and eco-farming standards.

The Group focuses on the improvement of the quality and competitiveness of its products with innovative technologies. On the one hand, the Group attaches importance to the reserve of core technology R&D talent pool. As of December 31, 2023, the Group's R&D team consisted of nearly 400 personnel, all possessing extensive experience in their respective industries. Supported by our in-house R&D team, as of December 31, 2023, the Group obtained 79 core patented technologies, covering each of our business lines; during the Reporting Period, the Group participated in the formulation of 6 national and local standards, and was awarded the honorary title of National Intellectual Property Advantage Enterprise. On the other hand, the Group has continuously enriched its specialty raw milk offerings and comprehensive ruminant farming solutions. The Group has developed and launched seven kinds of specialty raw milk, made deployment for the goat milk to further enrich the specialty raw milk offerings which, benefited from the scarcity of specialty raw milk, was less affected by the declining price of raw milk. The Group developed and launched proprietary concentrated feed products, such as structural calf feed, rumen bypass soybean meal, premixes and heat stress resistant perinatal feed and others. Moreover, the Group has built a leading ruminant nutrient database in China and developed leading genetic improvement technology and sex-sorting technology. The Group explored and created new farming models and methods, developed and promoted new technologies for the deep processing and utilization of forage grass products. In addition, the Group established extensive cooperation with renowned colleges and research institutions, actively participated in and undertook major demonstration projects adopting the "open competition mechanism" under the guidance of the National Dairy Technology Innovation Centre and the action of "revitalizing Inner Mongolia through science and technology" in the Inner Mongolia Autonomous Region to conduct research on the transformation and application of technological and R&D achievements, with focus on key technological issues in the upstream dairy industry chain, such as cow breeding and farming, exploration of high-quality dairy breed source and alfalfa selection and cultivation technology. During the Reporting Period, the Group entered into strategic cooperation agreements with the Institute of Animal Science and Feed Research Institute and Grassland Research Institute of CAAS, respectively. Cooperation will be carried out in dairy farming technology research, feed nutrition research and forage selection and breeding research, and in-depth cooperation will be carried out in dairy nutrition and health, high productivity and longevity, low and reduced carbon emission, dairy farms cost reduction and efficiency enhancement, and grassland quality improvement and increment. New development routes are to be explored with the scientific and technological achievements of R&D, thus injecting new development momentum into the Group.



Management Discussion and Analysis

III. QUALITY ASSURANCE

Sticking to the mission of “Creating the Source Power for the Healthy Life of Human Beings with Quality” and carrying forward the management concept that quality is life, the Group focuses on consolidating the foundation for quality management through three cores, namely quality culture, full-chain quality management and high-quality products. The Group continuously promotes the implementation of the quality management system among all the staff, during the full process and in all aspects and adheres to “high quality, high standards and high requirements” for the production process to guarantee product quality. In January 2024, the website of the People’s Government of the Inner Mongolia Autonomous Region announced the four enterprises that won the “2023 Autonomous Region Chairman’s Quality Award”. Inner Mongolia Youran, a subsidiary of the Company, stood out from many participating companies and became the only upstream dairy enterprise in the Inner Mongolia Autonomous Region to win the award. The Inner Mongolia Autonomous Region Chairman’s Quality Award is the highest quality award established by the autonomous region government. Winning the award shows that the Group has reached an excellent standard in management level and business capabilities, and it also fully demonstrates the scientificity, systematicity and excellence of the Group’s management system.

The Group adheres to the philosophy of “good grass raises good cows, good breeding breeds good cows, good cows produce good milk, and good milk makes good products”. From forage grass planting, feed processing, breeding and production, to fresh milk transportation, the Group has formulated clear standards for control, monitoring, analysis and quality control in every link. At present, the Group has summarized and extracted more than 1,400 control standards. Meanwhile, based on international advanced standards, the Group continuously upgrades the quality management system, and has conducted and passed various food safety and quality related management system certifications: the SQF (Safe Quality Food system), ISO9001 (the quality management system), ISO22000 (the food safety management system) and ChinaGAP (China Good Agricultural Practice) and ISO17025 China National Accreditation Service for Conformity Assessment (CNAS) Laboratory Management System, etc. The Group is the first comprehensive enterprise of dairy farming and feed processing in China that has passed SQF certification, the world-leading food safety and quality management system. Furthermore, it organically integrates the standards of these systems with its basic management to achieve the “full value chain” quality management model where system management and business are integrated, thereby continuously improving product quality.

The Group’s near-infrared nutrition database recorded over one million marked samples. The establishment of this database is of weighty significance in promoting accurate nutrition and improving test efficiency. The Group pioneered raw material adulteration identification technology in the animal husbandry industry to ensure the high-quality feed ingredients and products for self-operated dairy farms and feed customers.

During the Reporting Period, empowered by digital technologies and the quality management information platforms, such as near-infrared database, quality information management system and EHSQ (Environment, Health, Safety and Quality) management system, the collection, transmission and analysis of the quality information along the whole chain became more intelligent and efficient. The food safety team adopted quality examine mechanism, quality alert mechanism and supplier evaluation mechanism to promote the continuous improvement of the quality assurance and risk prevention and control system. The Group continued to strengthen the whole chain quality improvement and made great achievements in quality management and quality improvement by quickly identifying both known and unknown risks, improving quality management information system, normalizing quality assurance control points (QACP). During the Reporting Period, 23 dairy farms passed the Student Milk Dairy Farm certification, and 39 dairy farms passed the S-level (highest level) certification for Classification and Evaluation of Modern Dairy Farm, leading the industry in the number of certifications.

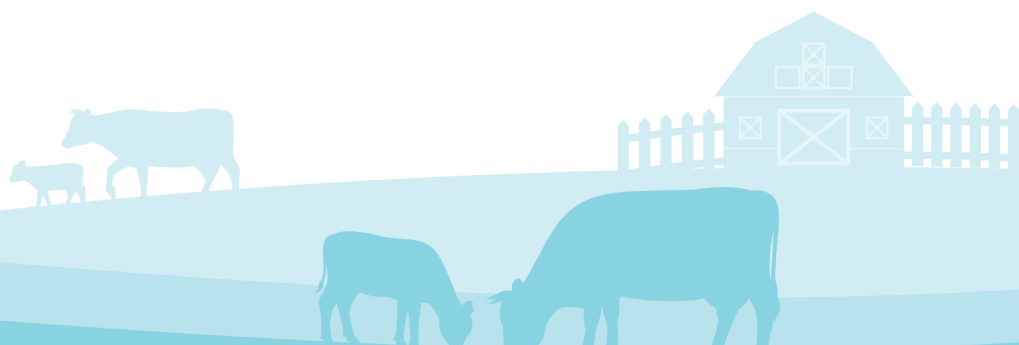
Management Discussion and Analysis

During the Reporting Period, all of the Group's products passed the sampling inspection of quality conducted by national supervision and inspection authorities at all levels. The quality of raw milk is assessed primarily with reference to indicators generally recognized in the industry, namely aerobic plate count and somatic cell count, and the average aerobic plate count and somatic cell count in the Group's raw milk were significantly exceeding the standards set forth in China's Premium Milk Initiative (中國國家優質乳工程) and the standards of the United States, Japan and the European Union.

IV. PROCUREMENT STRATEGIES MANAGEMENT

The Group applied a "full lifecycle" supplier management system and developed procurement strategies highly matching its strategic development, which focused on deeply implementing the procurement strategy on bulk raw and ancillary materials, further expanding strategic suppliers and optimizing supplier structure. It mitigated the procurement risk on bulk raw materials and further reduced procurement cost through the hedging of futures, strategic reserve, direct purchase from sources, global purchases and other strategies. During the Reporting Period, the Group entered into 74 strategic collaboration projects with 32 strategic suppliers. The Group continued to explore value-added businesses that can be carried out with strategic partners and strengthened the relationship with business partners to build a sustainable win-win ecosystem.

During the Reporting Period, the Group systematically promoted the procurement strategy around the aspects of "cost management" and "strategic project advancement". In terms of cost management, the Group shifted from short-term strategic cost reduction to long-term strategic cost reduction and structural cost reduction, that is, from focusing on price to focusing more on value, from bidding based on price to bidding based on total purchase cost or total cost of ownership. Through this approach, the Group identified core cost reduction measures, actively explored new procurement models, and adopted multiple-prong measures for multiple categories to achieve cost savings. In particular, the use of new ideas and methods such as the expansion of new supply channels for domestic low-potassium oat hay, the domestication of milking machine spare parts, the replacement of rice husks with crushed corn stalks, and the silage bidding model have played a pioneering role in expanding the cost reduction strategies. In terms of strategic project advancement, the Group has empowered the dairy farming technology, carbon neutrality, talent cultivation, and introduction of new technologies and new products by promoting the establishment of sustainable development relationships with suppliers. The Group has carried out strategic cooperation with Cargill, one of the world's four major grain traders, in technology, products, talents, and markets, and carried out strategic cooperation with Boehringer Ingelheim, a global leading biopharmaceutical company, in the fields of carbon reduction, animal health, new technology research, new product development, and high-level talent training, to achieve co-creation, sharing, and win-win results.



Management Discussion and Analysis

V. DIGITAL MANAGEMENT

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

During the Reporting Period, the Group established a digital technology center to undertake and promote the technological upgrade and transformation of the business, and enhanced the digitalization competitiveness of the Group, promoting the Group’s steady progress towards the digital transformation vision of “becoming a leader in the digital development of the global animal husbandry industry”.

During the Reporting Period, the Group took the lead in the industry to build a “fully intelligent unmanned barn”, which adopted fully intelligent unmanned milking robot, feeding robot, material pushing robot, dung cleaning robot, all-weather cow feeding total mixed ration (TMR) batching system and intelligent robot biological fermentation system, which are the most internationally advanced. At the same time, through the IoT technology, the temperature, humidity, gas and light of the barn are automatically adjusted and conditioned, which greatly improves the comfort of dairy cow feeding and enhances the management accuracy and fineness of dairy farms, improves operational efficiency, and provides intelligent protection for the health of dairy cows and the production of high-quality raw milk, whereas the “Standardization and Key Technology of Smart Dairy Farms of the Dairy Industry” project jointly completed by the Group and the Grassland Research Institute of CAAS, the Inner Mongolia Agricultural and Animal Husbandry Technology Extension Centre, the Inner Mongolia Academy of Agricultural and Animal Husbandry Sciences, the Inner Mongolia University, the Inner Mongolia University of Technology, and the Yili Group, won the First Prize of the Inner Mongolia Autonomous Region Science and Technology Progress Award.

During the Reporting Period, the Group carried out various digitalization practices through integration and governance mechanisms, upgraded and optimized the “TMR Precision Feeding System”, “Herd Structure Forecasting System” and “Digital Procurement Mall”, etc., and independently developed the “AI Precision Sprinkler System”, “Feed/Vaccine Demand and Planning Management System”, “Silage Acquisition Management System”, “Raw Material Trading System” and “Unattended Automated Weighing System”. Leveraging big data platform and algorithm model and intelligent AI equipment, the Group is gradually achieving the automation of data collection, unmanned operation, remote management, automation of enterprise scheduling, intelligent operation prediction, and flexibilization of production management, etc. in dairy farming.



Management Discussion and Analysis

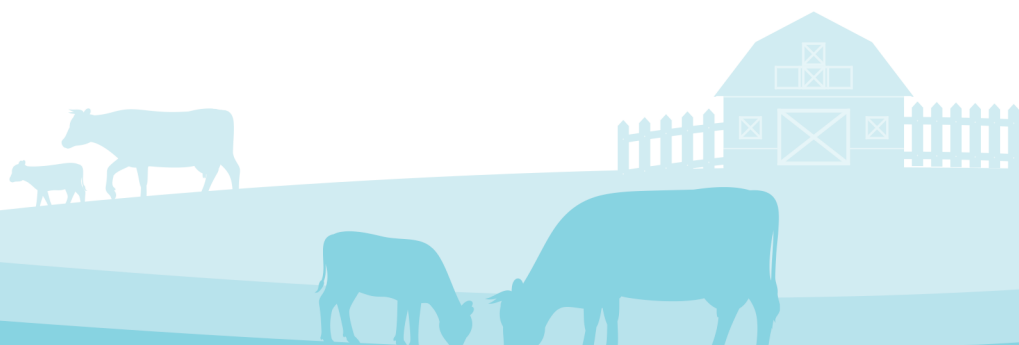
VI. BUILDING A SUSTAINABLE DEVELOPMENT MODEL

The Group adheres to a green, ecological and sustainable development strategy, continuously deepens the sustainable development management system, constantly integrates core issues on sustainable development with business development and innovation and vigorously promotes the long-term mechanism on sustainable development to set an example to the industry. During the Reporting Period, the Group was striving to meet the established strategic goal of reaching peak carbon emissions in 2030 and carbon neutrality in 2050, constantly promoting implementation of sustainable development initiatives.

In terms of carbon inventory and verification, the Group has continuously carried out carbon inventory, verification and certification, and further optimized the carbon neutrality action plan based on the carbon inventory results to ensure that the carbon neutrality work is done thoroughly. In terms of carbon emission reduction, the Group focuses on the continuous optimization of energy structure, actively promotes the research and application of ruminant carbon reduction technology, biological breeding technology and efficient low-carbon manure treatment technology, and develops diversified emission reduction methods, so as to effectively reduce greenhouse gas emission intensity. In terms of carbon sink construction, the Group actively develops the “planting-dairy farming integration” model, vigorously promotes grassland improvement and forage planting and the construction of low-carbon circular pastures to continuously expand the carbon sink storage space and inject strong impetus into green development. During the Reporting Period, the Group built ancillary forage grass plantation bases near its dairy farms, and actively cooperated with silage suppliers and other suppliers. The actual land area under the integrated plantation and dairy farming model was nearly 2,000,000 mu.

The Group actively fulfilled its social responsibilities, provided job opportunities for local farmers and herdsmen and helped them achieve income growth through businesses and technologies. The Group gave full play to its industrial and technological advantages to enhance the quality of agricultural products and agricultural output value, and increase farmers’ production benefits. In addition, the Group formulated specific poverty alleviation policies in different regions to enhance the self-development ability of local farmers and herdsmen to achieve mutual development.

During the Reporting Period, the sustainable development strategies and practices of the Group were widely recognized, and the Group was rated “BB” after being included in the Morgan Stanley Capital International (MSCI) ESG rating for the first time, becoming the first dairy farming enterprise in China awarded such rating. The score of our response to the S&P Global Corporate Sustainability Assessment (CSA) Questionnaire increased by 25% as compared with the previous year, and was approximately 95.7% higher than the industry average, and ranked in the top 15% of the industry among the peer companies that had completed the 2023 assessment.



Management Discussion and Analysis

VII. PROSPECTS

As the endogenous driving force of economic growth further strengthens after the pandemic, residents' consumption capacity and willingness are expected to continuously improve. Meanwhile, consumers' enhanced health awareness after the pandemic will spur the growth of China's dairy product consumption. In addition, since 2024, the prices of bulk raw materials and feed, such as soybean meal, corn and imported alfalfa hay, have all shown a downward trend. The Group will continue to promote technological transformation, improve efficiency, and seize opportunities amid challenges.

Going forward, the Group will continue to adhere to the established strategy, implement the six core strategic initiatives, take innovation as the driving force, empower business through digitalization and lean management, fully leverage the strengths of our platform, whole industry chain and talents, adhere to green sustainable development, and build core competitiveness. Besides, the Group will improve operation and management efficiency, and expand revenue and profit margins through cost reduction and efficiency enhancement. The Group will efficiently deliver the following products and services: the forage grass business will grow high-quality, high-yield and high-conversion rate forage grass; the breeding business will breed breeding cattle of excellent quality and produce high-quality and low-cost frozen semen and embryos; the feed business will produce nutritionally balanced and highly effective feed with notable cost advantage; and the raw milk business will produce high-quality, low-cost and highly functional raw milk. 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 of the Group 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 3.6% from RMB18,051 million for the Period of 2022 to RMB18,694 million for the Reporting Period.

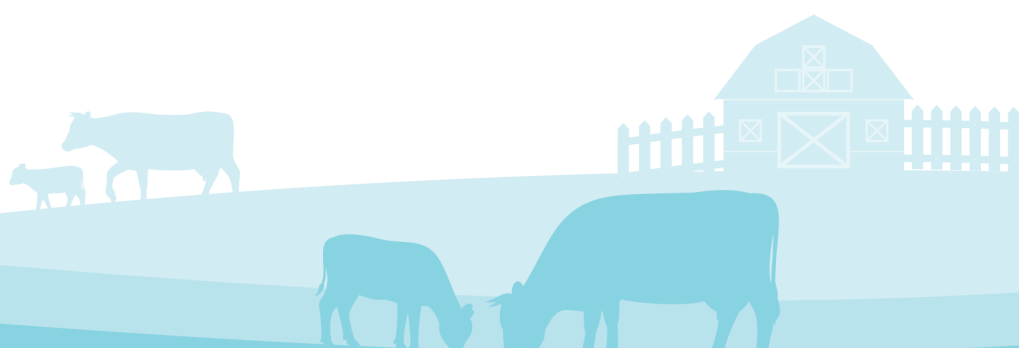
The following table sets forth a breakdown of our revenue by product types for the periods indicated:

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Raw milk	12,902,987	10,853,917
Comprehensive ruminant farming solutions	5,790,909	7,196,844
Total	18,693,896	18,050,761

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

Our revenue from raw milk increased by 18.9% from RMB10,854 million for the Period of 2022 to RMB12,903 million for the Reporting Period, which was mainly due to the increase of 26.5% in the sales volume of our raw milk from 2,328,512 tons for the Period of 2022 to 2,945,840 tons for the Reporting Period, and the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in domestic raw milk, with the average unit price of raw milk of the Group for the Reporting Period being RMB4.38/kg, representing a decrease of 6.0% as compared to RMB4.66/kg for the Period of 2022.

Our revenue generated from comprehensive ruminant farming solutions decreased by 19.5% from RMB7,197 million for the Period of 2022 to RMB5,791 million for the Reporting Period, which was mainly due to the impact of the dairy industry environment, the Company promptly and proactively adjusted its sales strategy, with a focus on high-quality customers and actively screening customers. Although this resulted in a short term reduction in revenue, it effectively controlled operational risks.



Management Discussion and Analysis

Cost of sales

Our cost of sales increased by 3.2% from RMB16,959 million for the Period of 2022 to RMB17,499 million for the Reporting Period.

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

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Raw milk	9,206,651	7,441,870
Comprehensive ruminant farming solutions	5,017,460	6,385,169
Total	14,224,111	13,827,039

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

Cost of sales for the raw milk business before raw milk fair value adjustments increased by 23.7% from RMB7,442 million for the Period of 2022 to RMB9,207 million for the Reporting Period, which was primarily due to new dairy farms being put into operation and the increase in the number of dairy cows.

During the Reporting Period, the Group's average feed cost of premium raw milk and specialty raw milk was RMB2.45/kg, representing a decrease of 1.2% from the Period of 2022.

Cost of sales of comprehensive ruminant farming solutions business before forage grass fair value adjustments decreased by 21.4% from RMB6,385 million for the Period of 2022 to RMB5,017 million for the Reporting Period, which was primarily due to the decrease in revenue.

Fair value adjustments for agricultural produce included in cost of sales increased by 4.6% from RMB3,132 million for the Period of 2022 to RMB3,275 million for the Reporting Period.

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

Our gains arising from initial recognition of agricultural produce at fair value less costs to sell at the point of harvest were RMB3,132 million for the Period of 2022 and RMB3,275 million for the Reporting Period, respectively, mainly due to the combined effect of the overall decline in the domestic selling price of raw milk and the increase in sales volume. According to the requirements of IFRSs, agriculture produce shall be initially recognized at fair value less costs to sell at the point of harvest and the difference between fair value less costs to sell and the actual cost incurred shall be recognized in profit or loss.



Management Discussion and Analysis

Gross profit and gross profit margin

As a result of the foregoing, we recorded a gross profit of RMB4,224 million for the Period of 2022, representing a gross profit margin of 23.4%, and a gross profit of RMB4,470 million for the Reporting Period, representing a gross profit margin of 23.9%.

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

	For the year ended December 31,			
	2023		2022	
	RMB'000 (except for percentage)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
Raw milk	3,696,336	28.6%	3,412,047	31.4%
Comprehensive ruminant farming solutions	773,449	13.4%	811,675	11.3%
Total	4,469,785	23.9%	4,223,722	23.4%

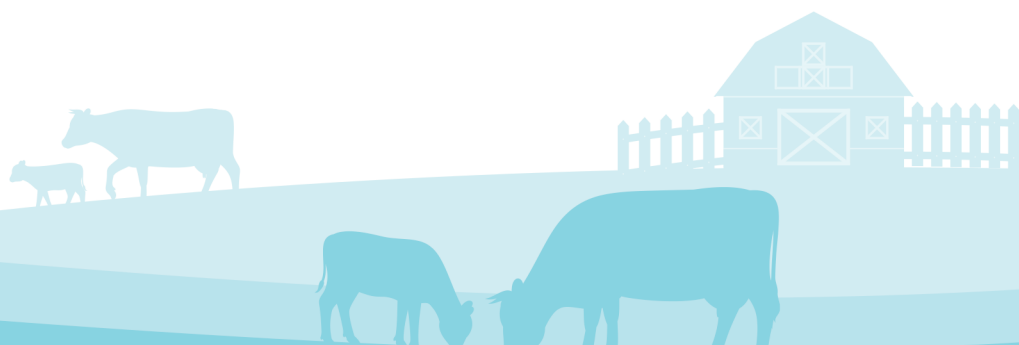
The increase in the gross profit margin was primarily due to the increase in the proportion of raw milk business and the increase in gross profit margin of the comprehensive ruminant farming solutions business.

The gross profit of the raw milk business increased from RMB3,412 million for the Period of 2022 to RMB3,696 million for the Reporting Period. The gross profit margin of the raw milk business decreased from 31.4% for the Period of 2022 to 28.6% for the Reporting Period, which was mainly due to the effects of the decline in the price of raw milk resulting from the temporary unbalance of the supply and demand in raw milk.

The gross profit of the comprehensive ruminant farming solutions business decreased from RMB812 million for the Period of 2022 to RMB773 million for the Reporting Period. The gross profit margin of the comprehensive ruminant farming solutions business increased from 11.3% for the Period of 2022 to 13.4% for the Reporting Period, mainly because of the increase in gross profit margin of the sales of feeds business.

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

Our loss arising from changes in fair value less costs to sell of biological assets changed from the loss of RMB1,617 million for the Period of 2022 to the loss of RMB3,613 million for the Reporting Period, which was primarily due to the effects of the decline in the selling price of raw milk, and the decline in the market prices of beef cattles and heifers in 2023.



Management Discussion and Analysis

Other income

Other income increased by 25.1% from RMB363 million for the Period of 2022 to RMB454 million for the Reporting Period, which was primarily due to (i) the increase in government grants transferred from deferred income from RMB146 million for the Period of 2022 to RMB191 million for the Reporting Period; (ii) the increase in rental income from RMB10 million for the Period of 2022 to RMB20 million for the Reporting Period, and (iii) the increase in interest income from RMB23 million for the Period of 2022 to RMB28 million for the Reporting Period.

Impairment loss under expected credit loss model, net of reversal

Our impairment loss under expected credit loss model, net of reversal decreased by 79.8% from RMB33 million for the Period of 2022 to RMB7 million for the Reporting Period, which was primarily due to the overall decrease in receivables attributable to our focus on high-quality customers, actively screening the customers, and the strict control over customers with credit terms.

Impairment loss recognised in respect of goodwill

The impairment loss recognised in respect of goodwill for the Reporting Period amounted to RMB121 million (nil for the Period of 2022), which was mainly due to the Group's provision of impairment loss on goodwill of SKX held by the Group during the Reporting Period.

Other gains and losses

Our other gains and losses increased by 182.4% from a gain of RMB48 million for the Period of 2022 to a gain of RMB136 million for the Reporting Period, which was primarily due to the increase in the gain from fair value of financial assets of the Group.

Selling and distribution expenses

Our selling and distribution expenses increased by 5.0% from RMB590 million for the Period of 2022 to RMB620 million for the Reporting Period, which was primarily due to the increase in storage fee resulting from certain reserve of raw materials at the beginning of the year to control the cost of raw materials and the year-on-year increase in taxes and surcharges. The proportion of selling and distribution expenses in our revenue for the Reporting Period was 3.3%, which was almost the same as the Period of 2022.

Administrative expenses

Our administrative expenses increased by 7.8% from RMB722 million for the Period of 2022 to RMB778 million for the Reporting Period. The proportion of administrative expenses in our revenue increased from 4.0% for the Period of 2022 to 4.2% for the Reporting Period, which was primarily due to the year-on-year increase in expense rate resulting from reserving management personnel for new dairy farms put into operation.



Management Discussion and Analysis

Other expenses

Our other expenses increased by 8.4% from RMB65 million for the Period of 2022 to RMB70 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 1.4% from RMB1,097 million for the Period of 2022 to RMB1,083 million for the Reporting Period, which was primarily due to decreased finance costs as a result of the redemption of convertible notes.

(Loss)/profit before tax

As a result of the foregoing, we had a profit before tax of RMB475 million for the Period of 2022, compared with a loss before tax of RMB1,360 million for the Reporting Period.

Income tax expense

We recorded a 34.8% increase in income tax expense from RMB69 million for the Period of 2022 to RMB93 million for the Reporting Period, primarily due to the growth of profit from our taxable business.

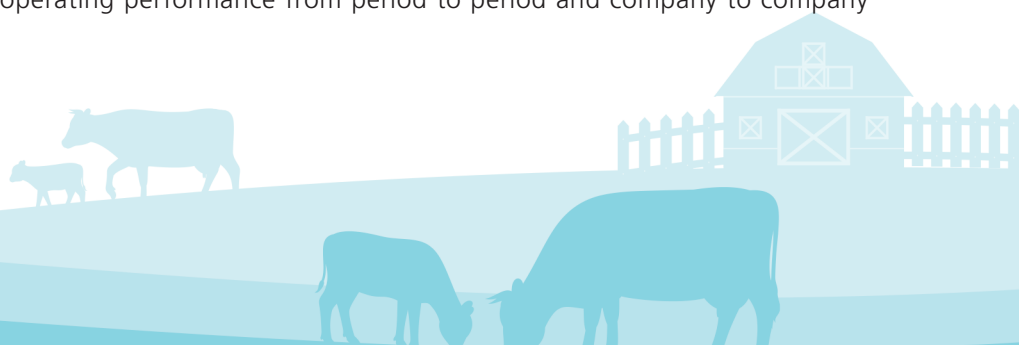
(Loss)/profit for the year

As a result of the foregoing, we generated a profit of RMB406 million for the Period of 2022 and a loss of RMB1,453 million for the Reporting Period, primarily due to (i) the decline in the price of raw milk resulting from the temporary imbalance of the supply and demand in raw milk; (ii) the increase in gross profit as a result of the increase in sales volume of our raw milk for the Reporting Period as compared to the Period of 2022 which failed to fully offset the impact of lower gross margins on profits; (iii) the significant increase in loss arising from changes in fair value less costs to sell of biological assets.

Non-IFRSs measures

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



Management Discussion and Analysis

The Group uses the following financial measures that are not required by or presented in accordance with IFRSs:

- i. Cash EBITDA represents (loss)/profit for the year after adjusting the following items: (i) other gains and losses, (ii) impairment losses under expected credit loss model, net of reversal, (iii) impairment loss recognised in respect of goodwill, (iv) 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) represents (loss)/profit for the year excluding loss arising from changes in fair value less costs to sell of biological assets.
- iii. Adjusted (loss)/profit attributable to owners of the Company for the year represents (loss)/profit attributable to owners of the Company for the year after adjusting the following items: (i) the difference between the effective interest of convertible notes recognized at amortized cost and the interest calculated at 4% of the nominal interest rate; and (ii) the reversal of litigation losses regarding the adjustments made to the consideration for acquisition of SKX.

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

Cash EBITDA

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
(Loss)/Profit for the year	(1,452,892)	405,986
Adjustments:		
Other gains and losses	(135,551)	(47,999)
Impairment loss recognised in respect of goodwill	120,966	–
Impairment losses under the expected credit loss model, net of reversal	6,629	32,739
Loss arising from changes in fair value less costs to sell of biological assets	3,613,271	1,617,116
Adjusted profit for the year	2,152,423	2,007,842
Adjustments:		
Income tax expense	93,388	69,284
Finance costs	1,082,592	1,097,485
Interest income	(28,234)	(23,184)
Depreciation and amortization charged to profit or loss	551,249	439,609
Cash EBITDA	3,851,418	3,591,036



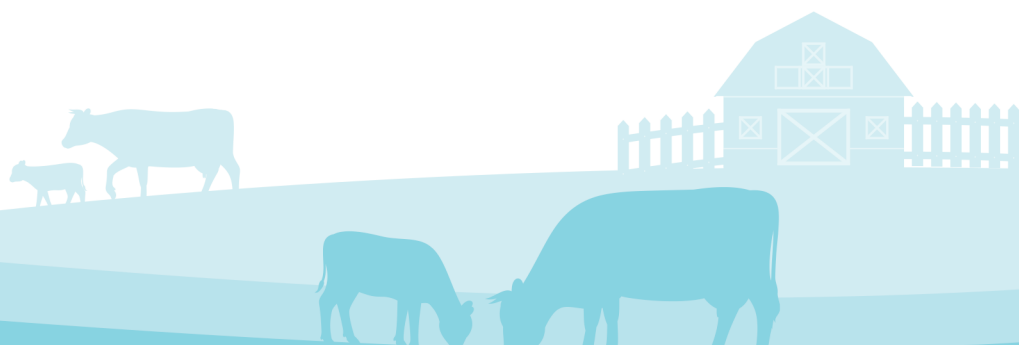
Management Discussion and Analysis

Profit for the Year (Before Biological Assets Fair Value Adjustments)

	For the year ended December 31, 2023 RMB'000	2022 RMB'000
(Loss)/Profit for the year	(1,452,892)	405,986
Adjustments:		
Loss arising from changes in fair value less costs to sell of biological assets	3,613,271	1,617,116
Profit for the year (before biological assets fair value adjustments)	2,160,379	2,023,102

Adjusted (Loss)/Profit Attributable to Owners of the Company for the Year

	For the year ended December 31, 2023 RMB'000	2022 RMB'000
(Loss)/Profit attributable to owners of the Company for the year	(1,049,980)	414,771
Adjustments:		
The difference between the interest of convertible notes recognized at amortized cost and the interest calculated at 4% of the nominal interest rate	190,248	523,801
Reversal of litigation losses regarding the adjustments made to the consideration for acquisition of SKX	–	(49,234)
Adjusted (loss)/profit attributable to owners of the Company for the year	(859,732)	889,338



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, bank borrowings and net proceeds from the Global Offering.

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

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	4,389,964	2,547,778
Net cash used in investing activities	(4,344,378)	(10,783,819)
Net cash generated from financing activities	2,989,958	8,051,843
Net increase/(decrease) in cash and cash equivalents	3,035,544	(184,198)
Effects of foreign exchange rate changes	544	9,031
Cash and cash equivalents at the beginning of the year	1,452,253	1,627,420
Cash and cash equivalents at the end of the year	4,488,341	1,452,253

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities was RMB4,390 million. For the Period of 2022, net cash generated from operating activities was RMB2,548 million.

Net Cash Used in Investing Activities

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

For the Period of 2022, net cash used in investing activities was RMB10,784 million, which was mainly attributable to (i) payments for raising and purchasing biological assets of RMB5,152 million, (ii) acquisition of financial assets at FVTPL of RMB1,900 million, (iii) payments for investment in associates of RMB1,158 million, and (iv) payments for property, plant and equipment of RMB3,472 million, partially offset by the proceeds from the disposal of biological assets of RMB1,038 million.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities was RMB2,990 million, which was mainly attributable to (i) new bank and other borrowings of RMB37,627 million, (ii) repayment of bank and other borrowings of RMB32,008 million; and (iii) payments of redemption of convertible notes of RMB1,450 million.



Management Discussion and Analysis

For the Period of 2022, net cash generated from financing activities was RMB8,052 million, which was mainly attributable to (i) new bank and other borrowings of RMB25,179 million; (ii) repayment of bank and other borrowings of RMB14,205 million; and (iii) payments of partial redemption of convertible notes of RMB2,185 million.

Indebtedness

	As of December 31, 2023 RMB'000	2022 RMB'000
Bank borrowings	26,259,588	20,559,056
Unsecured	24,823,071	18,838,786
Secured	1,213,390	1,560,901
Other borrowings	223,127	159,369
	26,259,588	20,559,056
The carrying amounts of the above borrowings are repayable:		
Within one year	16,433,086	13,827,675
More than one year but within two years	3,851,780	1,349,477
More than two years but within five years	4,147,876	3,892,704
More than five years	1,826,846	1,489,200
	26,259,588	20,559,056
Less: Amounts due within one year shown under current liabilities	(16,433,086)	(13,827,675)
Amount shown under non-current liabilities	9,826,502	6,731,381
Lease liabilities	1,822,701	1,556,991
Less: Amount due within 1 year shown under current liabilities	(220,788)	(131,604)
Amount shown under non-current liabilities	1,601,913	1,425,387
Other liabilities at amortised cost	7,310	14,252
Portion classified under current liabilities	(7,310)	(6,942)
Portion classified under non-current liabilities	–	7,310

Management Discussion and Analysis

Contingent Liabilities

As at December 31, 2023, the Group had no significant contingent liability.

Net Gearing Ratio

As at December 31, 2023, the Group's net gearing ratio was 165.2%, representing an increase of 30.2 percentage points as compared to 135.0% as at December 31, 2022, mainly due to the increase in bank and other borrowings as a result of the centralized construction of various dairy farms by the Group on the golden milk source belt. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, plus convertible notes, less bank balances and cash, and less pledged and restricted bank 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, 2023, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB1,617 million (as at December 31, 2022: RMB2,998 million), representing a decrease as compared with that of December 31, 2022, 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 in the future.

Pledge of Assets

As at December 31, 2023, certain of the Group's bank and other borrowings had been secured by the pledge of the Group's assets, including 51.73% of shares of SKX, 60.59% of shares of Shanxi Youran Tianhe Dairy Co., Ltd. and 61.44% of shares of Tangshan Youran Dairy Co., Ltd. held by a wholly-owned subsidiary of the Group, as well as pledged and restricted bank deposits in the carrying amount of RMB5 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 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 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.



Management Discussion and Analysis

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, 2023) during the Reporting Period.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, as of December 31, 2023, the Group did not have plans for material investments and capital assets.

Material Acquisitions and/or Disposals

Save as disclosed above, as of December 31, 2023, the Group did not have any material acquisitions and/or disposals of subsidiaries, associates or joint ventures.

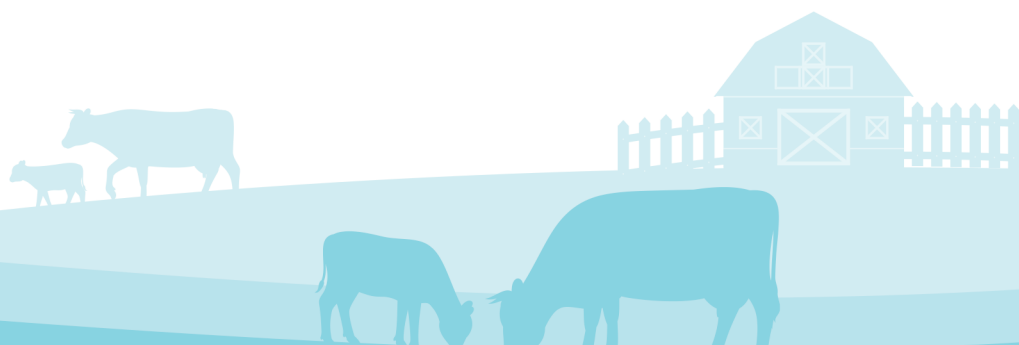
Employees and Remuneration Policy

The following table sets forth the numbers of full-time staff dedicated to our business and operations by function as at December 31, 2023.

Function	Number of Staff	% of Total
Management Personnel	1,181	9.6%
Professional Personnel ^{Note 1}	1,451	11.7%
Technicians	2,842	23.0%
Skilled Personnel ^{Note 2}	6,549	52.9%
Supporting Personnel ^{Note 3}	350	2.8%
Total	12,373	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, testing personnel, maintenance personnel, and calf raisers.
3. Supporting personnel primarily include custodians, chefs and cleaning operatives.



Management Discussion and Analysis

Our success depends on our ability to attract, retain, motivate qualified employees and maintain a stable core management and technical team. In this regard, the Group adheres to “building an efficient talent supply chain”, and makes comprehensive layout of talent guarantee, capacity building, vitalizing, cultural construction, remuneration management and the improvement of labor efficiency. In particular:

- i. Talent guarantee: We established cooperation relationships with colleges to achieve the integration of industry, teaching and research and continuously introduce quality industry talents. We built a specialized, yet versatile and multi-skilled management team, continued to improve the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to enhance the support of the career development of employees on our strategy.
- ii. Capacity building: In order to build a talent team with strategic significance, the Group opened up a career development path that integrates employee development and talent cultivation, strengthened the “combination of training and practice”, and relied on a well-established talent cultivation system. We utilized various forms of development, such as rotation training, online classes, offline special classes, talent cooperation and overseas study, to cultivate elite talents and establish a hierarchical, branded and digitalized talent cultivation system. At the same time, we are dedicated to building a learning organization and establishing long-term strategic cooperative relationships with top experts in the industry. Regular training and evaluation are provided to employees to enhance their performance.
- iii. Organization activation and reform motivation: During the Reporting Period, we initiated a reorganization program to achieve resource integration and function refinement, enabling us to empower the business and activate the organization more effectively. Meanwhile, we continued to promote strategic performance change projects to enhance the undertaking of strategic/organizational key value and motivate employees to become outstanding value creators. In addition, we made incentives in innovation, revenue generation and cost reduction to improve non-material incentive programs.
- iv. Cultural construction: Guided by our vision, the Group formulated a strategic development direction and deepened the operation and management philosophy, as well as the staff code of conduct, so as to strengthen cultural communication, system integration, value evaluation management and innovation. The Group has established a culture assessment mechanism, enhanced cultural integration and cultural influence, and promoted the incorporation of corporate culture into the whole process of the Company’s operation and management to create a cognition of culture aligned with the action, and build its irreproducible core competitiveness.
- v. Remuneration management and improvement of labor efficiency: The Group aligned position value with salary from four perspectives, namely position, performance, competence, and market, and implemented a comprehensive remuneration management system based on market changes. We continued to review and conduct lean analysis on the efficiency of job positions. Measures such as the introduction of automated equipment, changes in management mode, and the application of digital technology were implemented to further enhance the Group’s per capita labor efficiency.

The total remuneration expenses, excluding retirement benefit scheme contributions, were RMB1,164 million for the Reporting Period, as compared to RMB1,012 million for the Period of 2022, representing a year-on-year increase of 15.0%.



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, 2023.

Directors

The Directors who held office during the year ended December 31, 2023 and up to the Latest Practicable Date are:

Executive Directors:

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

Non-Executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)

(*resigned on July 28, 2023*)

Mr. Wu Xiang (武翔) (*Chairman*)

(*appointed on July 28, 2023*)

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

Independent Non-executive Directors

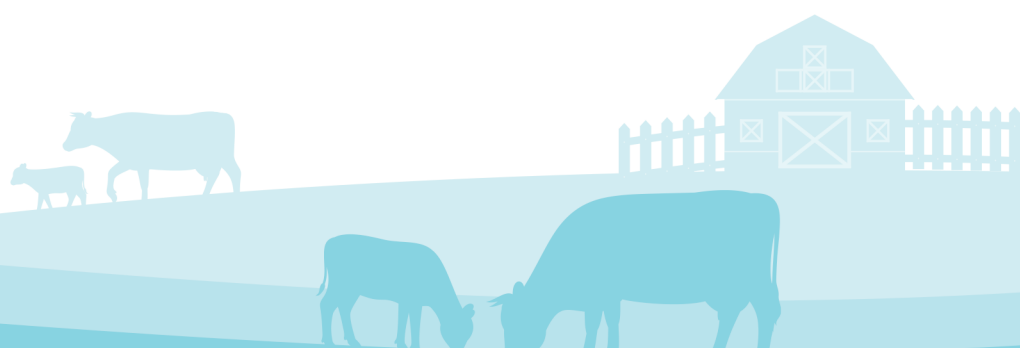
Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 67 to 72 of this annual report.

In accordance with Article 108 of the Articles of Association, Mr. Dong Jiping, Mr. Yao Feng and Mr. Shen Jianzhong shall retire at the AGM. In accordance with Article 112 of the Articles of Association, Mr. Wu Xiang 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. Zhang Yujun	Resigned as a non-executive Director and the Chairman of the Board of the Company with effect from July 28, 2023
Mr. Wu Xiang	Appointed as a non-executive Director and the Chairman of the Board of the Company with effect from July 28, 2023
Mr. Qiu Zhongwei	Appointed as a non-executive director of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a company listed on the Stock Exchange (stock code: 9977) with effect from January 18, 2023

Save as disclosed above, the Company is not aware of 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 98 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 2024. 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 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" published by the Company in April 2024.

Compliance with the Relevant Laws and Regulations

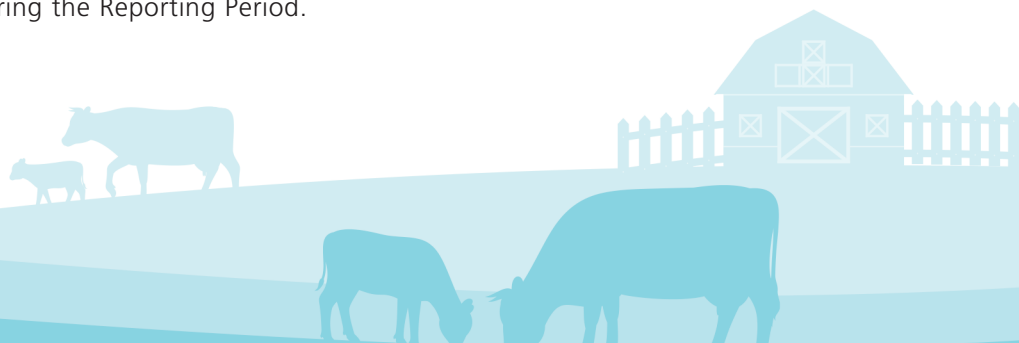
As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, 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's success partially depends on its long-term and stable cooperation with Yili, which is a controlling shareholder.

During the Reporting Period, revenue generated from the Group's top five customers was RMB13,671 million (2022: RMB11,544 million), representing 73.1% (2022: 64.0%) of the Group's total revenue. During the same period, the Group generated revenue of RMB12,447 million (2022: RMB10,485 million) from sales of raw milk to Yili Group, our largest customer, representing 96.5% (2022: 96.6%) of the Group's total raw milk revenue during the Reporting Period.



Report of Directors

As at the Latest Practicable Date, Yili was a controlling shareholder of the Company. Save for the aforementioned, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, own more than 5% of our issued capital, had any interest in any of our five largest 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 agreement with Yili Group and the Group and entrusts 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, 2023 to the Group’s total revenue amounted to approximately 5.4%. 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 largest 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.



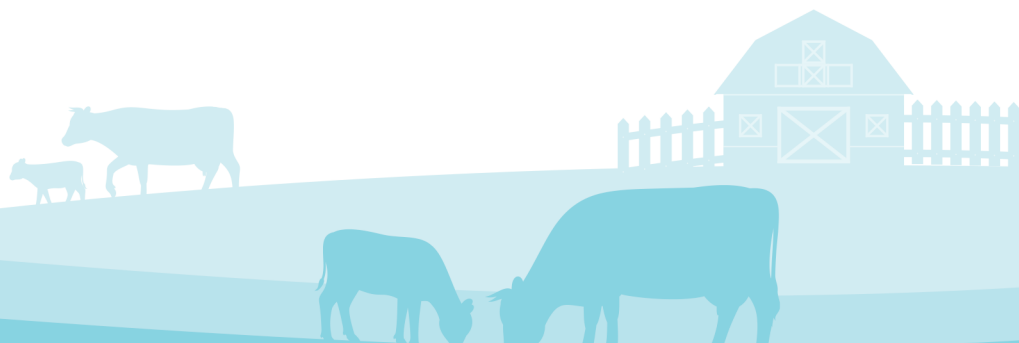
Report of Directors

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”. The Group has incorporated human rights principles into our Supplier Code of Conduct, and requires suppliers not to discriminate on the grounds of race, colour, disability, nationality or sexuality in hiring and employment matters.

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 Guiding Principles for 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 its business operation. The immutable goal of its 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; puts emphasis on production safety and employee health, and actively establishes sound production safety and occupational health management systems, striving to create a safe and healthy working environment for employees; attaches great importance to the cultivation of talents, and continuously improves the management on employee training, to promote the long-term development of employees and the Company; and to practice our caring for employees, the Group also implements 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 section headed “Employee and Remuneration Policy”, “Diversity of the Board” and “Diversity of Employees” of this annual report.



Report of Directors

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 202 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 52 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.

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 41 to the consolidated financial statements.

Donation

During the year Reporting Period, the Group made charitable donations of approximately RMB0.9 million (2022: RMB3 million).



Report of Directors

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, 2023.

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

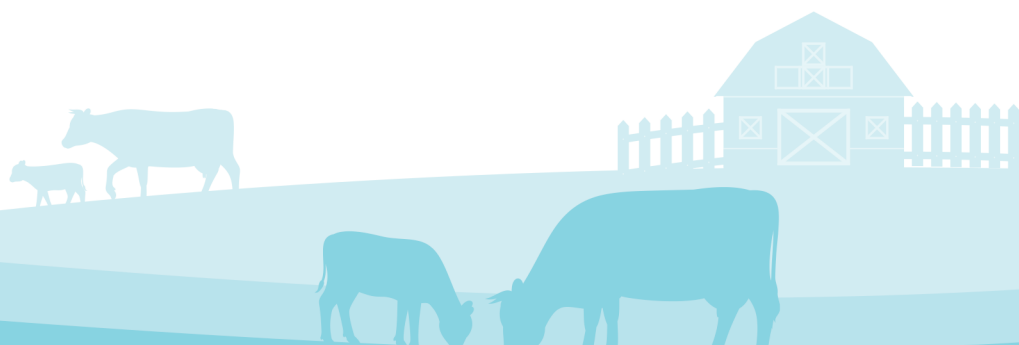
The Company may pay a dividend out of either profits or share premium, provided that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

As at December 31, 2023, the Company had distributable reserves of RMB5,326 million (2022: RMB6,025 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 101 and in Note 53 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, 2023 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 contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement 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 service contracts or appointment letters shall commence from the date of their appointment for a period of three years until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

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 the Prospectus and in this annual report, 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, each of Yili, PAG, Mr. Shan Weijian and their controlled corporations (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 a controlling shareholder of the Company. Save as disclosed in the Prospectus and in this annual report, to the best knowledge and belief of our Directors, there was no (i) contract of significance between the Group or 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.



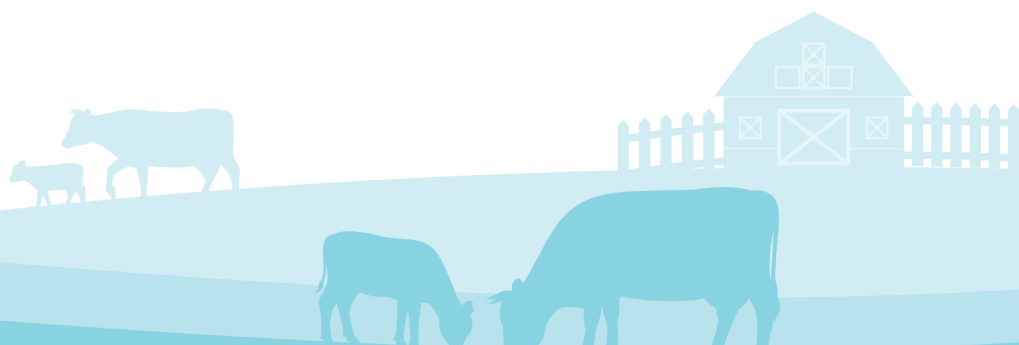
Report of Directors

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.

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, 2023, 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 (a) were required 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 which (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.



Report of Directors

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2023, 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) had an interest or short position in the Shares or underlying shares of the Company 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)	34.80(L)
China Youran Dairy Holding Limited ⁽³⁾	Beneficial interest	800,000,000(L)	21.08(L)
Jingang ⁽³⁾	Beneficial interest	520,800,000(L)	13.72(L)
PAG ⁽⁴⁾	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
Pacific Alliance Group Limited ⁽⁴⁾	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
Shan Weijian ⁽⁴⁾	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
PAG Capital Limited ⁽⁴⁾	Interest in controlled corporations	1,194,186,181(L)	31.46 (L)
PAG Dairy GP I Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.67(L)
PAG Dairy I LP ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.67(L)
PAG II ⁽⁴⁾	Beneficial interest	822,602,530(L)	21.67(L)
PAG Asia Capital GP I Limited ⁽⁴⁾	Interest in controlled corporations	371,583,651(L)	9.79(L)
PAG Asia I LP ⁽⁴⁾	Interest in controlled corporations	371,583,651(L)	9.79(L)
PAG I ⁽⁴⁾	Beneficial interest	371,583,651(L)	9.79(L)
Meadowland Investment Limited Partnership ⁽⁵⁾	Beneficial interest	564,982,819(L)	14.89(L)

Notes:

1. The letter "L" denotes the Shareholder's long position in such Shares.
2. The percentages are calculated on the basis of 3,795,404,000 Shares in issue as at December 31, 2023.



Report of Directors

3. China Youran Dairy Holding Limited directly held 800,000,000 Shares and Jingang directly held 520,800,000 Shares. Each of China Youran Dairy 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 I Limited ("PAG I") directly held 371,583,651 Shares in the long position, and PAGAC Yogurt Holding II Limited ("PAG II") held 822,602,530 Shares in the long position. PAG I and PAG II are wholly-owned subsidiaries of funds managed by PAG Capital Limited. PAG I is a wholly-owned subsidiary of PAG Asia I LP, whose general partner is PAG Asia Capital GP I Limited. Accordingly, PAG Asia I LP and PAG Asia Capital GP I Limited were deemed to be interested in 371,583,651 Shares. PAG II is a wholly-owned subsidiary of PAG Dairy I LP, whose general partner is PAG Dairy GP I Limited. Accordingly, PAG Dairy I LP and PAG Dairy GP I Limited were deemed to be interested in an aggregate of 822,602,530 Shares. PAG Capital Limited is controlled as to 55% by Pacific Alliance Group Limited and as to 45% by Mr. Shan Weijian. Pacific Alliance Group Limited is wholly controlled by PAG. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in an aggregate of 1,194,186,181 Shares in the long position.
5. Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, as at December 31, 2023, so far as the Directors are aware, no other parties had an interest or short position in the Shares or underlying shares of the Company 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

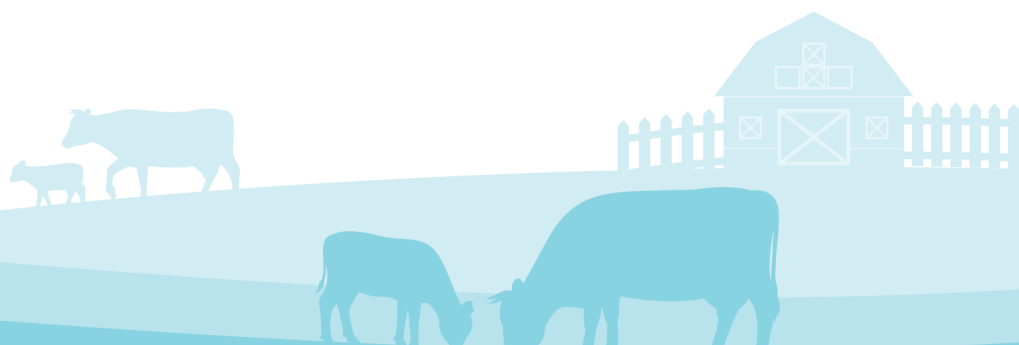
Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none 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.

For 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 RMB5.5 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 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 the annual report and consolidated financial statements of the Company.

	Proposed Annual Cap in 2023/ The maximum amount of daily deposit balance (RMB million)	Actual Transaction/ The actual maximum amount of daily deposit balance Amount in 2023 (RMB million)
Continuing Connected Transactions		
<i>Partially-exempt continuing connected transactions</i>		
Dairy Products Purchase Framework Agreement		
Purchase of dairy products from Yili Group	155	39.0
Financial Services Framework Agreement		
Provision of deposit services by Yili Finance Company to the Group	750	614.9
Shared Financial Services Framework Agreement		
Provision of accounting related shared financial services by Yili to the Group	13	11.1
Purchase and Sale Framework Agreement		
Provision of comprehensive ruminant farming solutions products and services to YouYuan Farm	189	186.1
<i>Non-exempt continuing connected transactions</i>		
Raw Milk Purchase and Sale Framework Agreement		
Sale of raw milk to Yili Group	15,000	12,447.2



Report of Directors

1. Dairy Products Purchase Framework Agreement

The Company and Yili entered into a dairy products purchase framework agreement on May 17, 2021, pursuant to which Yili Group would supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group on a long-term basis. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company.

The Dairy Products Purchase Framework Agreement has a term of three years commencing from the Listing Date, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. 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.

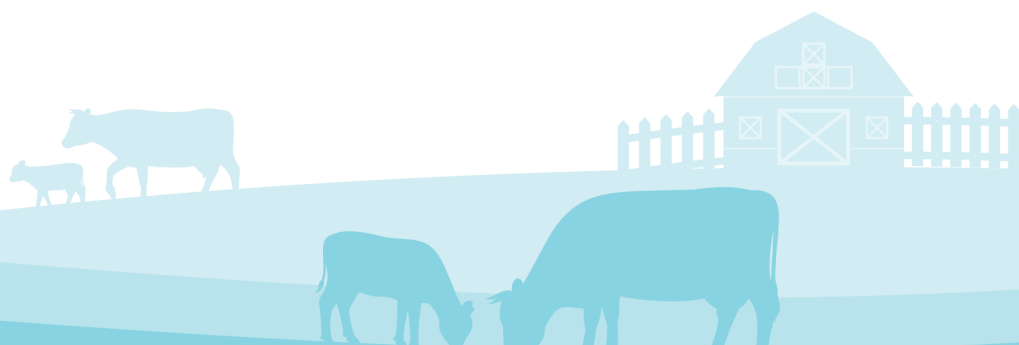
Further details of the Dairy Products Purchase Framework Agreement and its renewal are set out in the Prospectus and the announcements of the Company dated August 29, 2022 and April 24, 2023.

2. Financial Services Framework Agreement

On September 28, 2021, 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 Administration of Financial Regulation 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 Administration of Financial Regulation or other applicable regulatory authorities). 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.

The Financial Services Framework Agreement has a term commencing from September 28, 2021 to December 31, 2023, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. The deposit services under the renewal of 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.

Further details of the Financial Services Framework Agreement and its renewal are set out in the announcements of the Company dated September 28, 2021, April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.



Report of Directors

3. 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. 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.

The Shared Financial Services Framework Agreement is effective from January 1, 2023 until December 31, 2025.

Further details of the Shared Financial Services Framework Agreement are set out in the announcement of the Company dated November 28, 2022.

4. 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 shall purchase comprehensive ruminant farming solutions products and services from the Group. 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.

The Purchase and Sale Framework Agreement is effective from January 1, 2023 until December 31, 2025.

Further details of the Purchase and Sale Framework Agreement are set out in the announcement of the Company dated November 28, 2022.

5. Raw Milk Purchase and Sale Framework Agreement

On May 17, 2021, our Company and Yili entered into the Raw Milk Purchase and Sale Framework Agreement, pursuant to which our Group would provide long-term supply of raw milk to Yili Group. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company under the Listing Rules.

The Raw Milk Purchase and Sale Framework Agreement has a term of three years commencing from the Listing Date, which has been renewed for a term commencing from January 1, 2024 to December 31, 2026. 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 are set out in the Prospectus, the announcements of the Company dated April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.



Report of Directors

Confirmation from Independent Non-Executive Directors

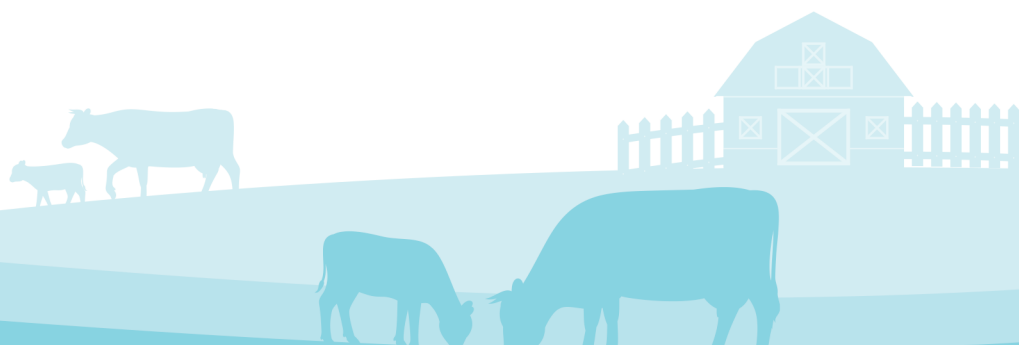
All the above continuing connected transactions for the Reporting Period have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that each of the continuing connected transactions has been entered into: (a) in the ordinary and usual course 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 of the Company 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 47 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 47 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.



Report of Directors

Convertible Notes

In November 2020, the Company issued convertible notes in the aggregate principal amount of US\$460 million to several pre-IPO investors with a conversion price of US\$0.44605 per Share. As of December 31, 2022, the principal amount of outstanding convertible notes was US\$174 million.

The Company redeemed the principal amount of outstanding convertible notes of US\$174 million during the Reporting Period.

For further details, please refer to the section headed “History, Reorganization and Group Structure – The Pre-IPO Investments – Issuance of Convertible Notes” of the Prospectus, the announcements of the Company dated November 28, 2022 and May 17, 2023 and Note 40 to the consolidated financial statements.

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.

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

Use of Proceeds from Listing

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

There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. Set out below is the status of use of net proceeds from the Global Offering as at December 31, 2023.

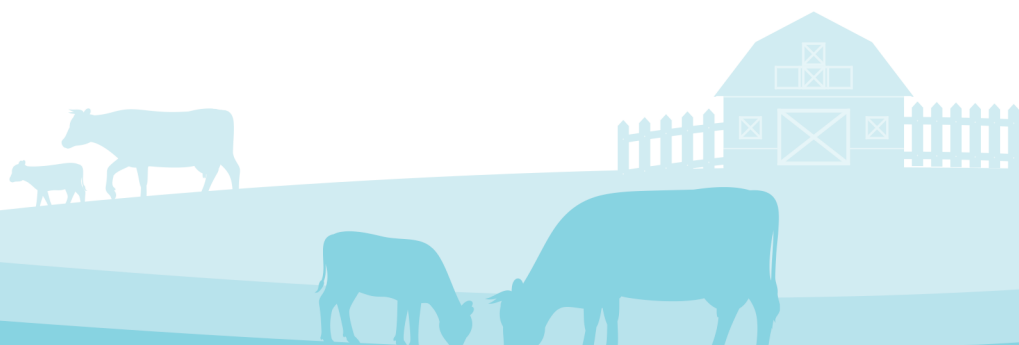
Purpose	% of net proceeds (%)	Net proceeds (RMB million)	Utilized amount as at December 31, 2023 (RMB million)	Utilized amount during the Reporting Period (RMB million)	Unutilized amount as at December 31, 2023 (RMB million)
Funding our investment projects over the next two years, including building our dairy farms under construction, new dairy farms and a feed mill and purchasing necessary facilities and equipment, to meet our increasing business demands and achieve sustainable growth through economies of scale	75	2,033	1,908	335	125
Purchasing dairy cows for our dairy farms	15	407	407	–	–
Working capital and general corporate purposes	10	271	271	–	–
Total	100	2,711	2,586	335	125

The Company expects to apply the remaining unutilized net proceeds of RMB125 million for the Group's dairy farms under construction by December 31, 2024.

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.



Report of Directors

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 re-appointment at the AGM.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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 on April 24, 2023 and the terms of each of the aforementioned agreements commenced January 1, 2024 and will expire on December 31, 2026. Further details of the aforementioned agreements are set out in the announcement of the Company dated April 24, 2023 and the circular of the Company dated April 25, 2023.

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

Save as disclosed in this annual report, there are no other significant events that might affect the Group since December 31, 2023 and up to the Latest Practicable Date.

By the order of the Board

Mr. Wu Xiang

Chairman and Non-executive Director

Hong Kong

March 27, 2024



Biographical Details of Directors and Senior Management

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

Directors

Executive Directors

Mr. Yuan Jun (袁軍), aged 44, was appointed as an executive Director and the president of the Company with effect from July 22, 2022. Mr. Yuan has over 25 years of experience in dairy industry and is primarily responsible for our Group's overall operation and management.

Mr. Yuan joined Yili Group in July 1998 and started his career in the liquid milk division (液態奶事業部) of Yili Group, and then he served as the production manager, assistant to the factory head, assistant to the general manager and general manager of various subsidiaries under the liquid milk division and the cold drink division (冷飲事業部) of Yili Group from May 2000 to February 2011. Mr. Yuan successively served as the production manager, assistant to the general manager and deputy general manager of the production management department under the cold drink division of Yili Group from February 2011 to July 2016. He successively served as the deputy general manager of the raw milk division, deputy general manager and senior deputy general manager of the liquid milk division of Yili Group (in charge of the overall raw milk business of Yili Group) from August 2016 to July 2022.

Mr. Yuan has also served as a director and president of Inner Mongolia Youran, the Company's major operating subsidiary in the PRC, and he served as a non-executive director of SKX, a subsidiary of the Company in the PRC, since February 2020.

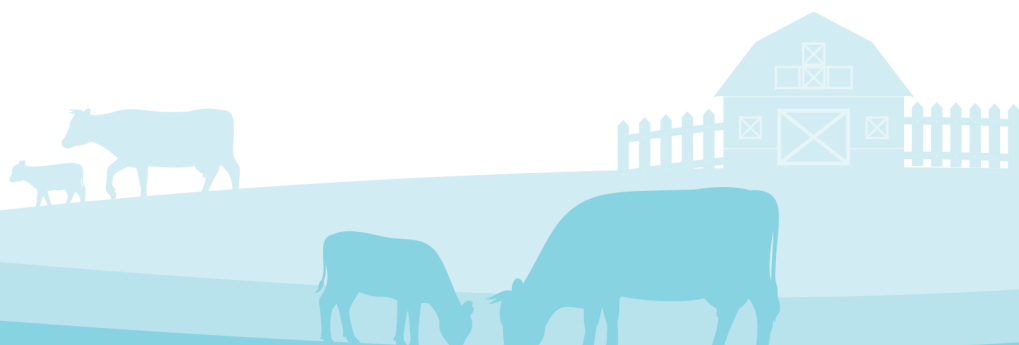
Mr. Yuan graduated from Tianjin University of Science & Technology (天津科技大學) in 2005, majoring in food science and engineering.

Mr. Dong Jiping (董計平), aged 43, joined our Group since November 2015, and was appointed as Director of our Company on August 24, 2020 and designated as an executive Director and appointed as vice president on November 15, 2020. Mr. Dong has over 19 years of experience in dairy industry and is primarily responsible for the management of our Group's legal compliance and external relations.

Mr. Dong joined Yili Group in July 2004 and started his career at the liquid milk division (液態奶事業部) of Yili Group, where he was involved in the procurement business. He worked as the secretary to the president's office of Yili Group from June 2005 to April 2012. Subsequently, he worked as the planning director (企劃總監) of strategy management department of Yili Group from April 2012 to November 2015.

Mr. Dong is also a director and the vice president of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC and a director of Inner Mongolia Shengde Hetai Business Co., Ltd., a subsidiary of the Company.

Mr. Dong obtained his bachelor's degree in biotechnology from Northeast Forestry University (東北林業大學) in July 2004.



Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Wu Xiang (武翔), aged 47, was appointed as a non-executive Director and the chairman of our Company with effect from July 28, 2023. Mr. Wu has over 23 years of experience in the dairy industry and is primarily responsible for strategic planning of our Group and the management of the Board.

Mr. Wu joined Yili Group in May 2000. He started his career at the liquid milk division (液態奶事業部) of Yili Group. Mr. Wu then held various positions, such as the technical director, factory head and general manager, at several subsidiaries of the liquid milk division of Yili Group from May 2001 to September 2012. Mr. Wu successively served as the deputy director and director of the quality management department of the liquid milk division of Yili Group from September 2012 to February 2017. Mr. Wu successively worked as the head of the production system of the milk powder division (奶粉事業部), the deputy general manager and general manager of the cold drink division (冷飲事業部), and the general manager of the yogurt division (酸奶事業部) of Yili Group from March 2017 to July 2023. He has been appointed as the general manager of the liquid milk division of Yili Group since July 2023.

Mr. Wu is also a director and the chairman of Inner Mongolia Youran, our principal operating subsidiary in the PRC. He has also served as a non-executive director of SKX, a subsidiary of the Company in the PRC, since August 2023, and was designated as the chairman of SKX in September of the same year.

Mr. Wu graduated from Inner Mongolia Agricultural University (內蒙古農業大學) in 1999, majoring in food engineering.

Mr. Xu Jun (徐軍), aged 52, was appointed as a Director of our Company on August 24, 2020 and designated 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.

Mr. Xu joined Yili Group in August 1996. He worked as a director of the corporate management division of the dairy food limited (奶食品有限責任公司) from February 1998 to May 2000, as a director of the corporate management division of the department and a human resource director of the human resource division of liquid milk division (液態奶事業部) from June 2000 to March 2005, as the vice general manager of the strategic sourcing department (戰略採購部) from April 2005 to December 2005, as the general manager of the cold drink department (冷飲事業部) from January 2006 to September 2012, as the president of the milk powder department (奶粉事業部) from September 2012 to December 2016, as the general manager of the human resource department (人力資源部) from December 2016 to July 2017. Subsequently, he has been the assistant to the president (總裁助理) of Yili Group since August 2017.

Mr. Xu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC.

Mr. Xu obtained his bachelor's degree in economic management from the University of Inner Mongolia (內蒙古大學) in July 1996.



Biographical Details of Directors and Senior Management

Mr. Xu, Zhan Kevin (許湛), aged 42, was appointed as a Director of our Company on August 24, 2020 and designated 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.

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 serves 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) since November 2018.

Mr. Xu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC.

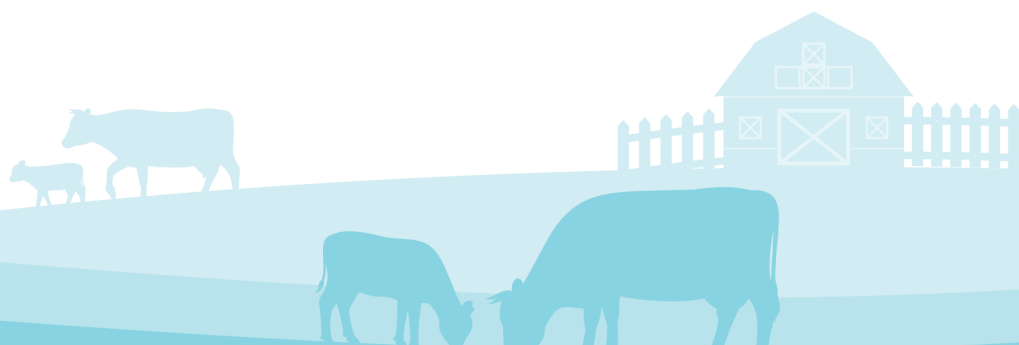
Mr. Xu obtained his bachelor's degree in electronic engineering from Zhejiang University (浙江大學) in June 2003 and his master's degree of management science and engineering from Stanford University in January 2006.

Mr. Qiu Zhongwei (邱中偉), aged 55, was appointed as a Director of our Company on August 24, 2020 and designated as a non-executive Director on November 15, 2020. Mr. Qiu is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Qiu started his career at China Huaneng Group Corporation (中國華能集團公司), a company listed on the Shanghai Stock Exchange (stock code: 600011). From March 2000 to October 2004, he served as the vice president and chairman of Yintai Holdings Limited (銀泰控股公司), from January 2005 to March 2015, he served as the managing director of the management committee and general manager of the strategic research and business development department of Beijing Hony Yuanfang Investment Consultant (北京弘毅遠方投資顧問). He has been the president and managing director of PAG Asia Capital since April 2015. Mr. Qiu has served as a director of Beijing Investment Development Co. Ltd. (京投發展股份有限公司) a company listed on the Shanghai Stock Exchange (stock code: 600683) since December 2017. He has also been appointed as a non-executive Director of Shandong Fengxiang Co., Ltd. (山東鳳祥股份有限公司), a company listed on the Stock Exchange (stock code: 9977) since January 2023.

Mr. Qiu is also a director of Inner Mongolia Youran, our principal operating subsidiary in the PRC, and he has also served as a director of SKX, a subsidiary of the Company in the PRC, since February 2020.

Mr. Qiu obtained his bachelor's degree in engineering from Xi'an Jiaotong University (西安交通大學) in July 1990 and his master's degree in business administration from Northwestern University and Hong Kong University of Science and Technology in November 2003.



Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕), aged 53, has been an independent non-executive Director of the Company since June 7, 2021. Ms. Xie is primarily responsible for supervising and providing independent judgment to our Board.

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 extensive experience in internal control and risk management. 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 has 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)) since April 14, 2020, 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

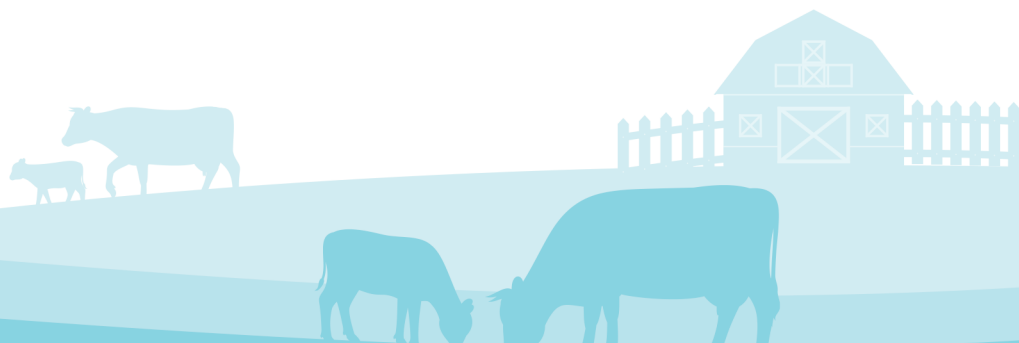
Mr. Yao Feng (姚峰), aged 63, has been an independent non-executive Director of the Company since June 7, 2021. Mr. Yao is primarily responsible for supervising and providing independent judgment to our Board.

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 and has abundant experience in risk management, 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 has been a council member of the Business School of China University of Political Science and Law since May 2017.

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

Mr. Shen Jianzhong (沈建忠), aged 60, has been an independent non-executive Director since June 7, 2021. Mr. Shen is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has been working at China Agricultural University since 1988 and is currently the dean of the school of veterinary medicine (動物醫學院) of China Agricultural University (中國農業大學), a director of National Key Laboratory of Veterinary Public Health and Safety (獸醫公共衛生安全全國重點實驗室), a director of the national assessment center for safety of animal drugs (國家獸藥安全評價中心), and an expert of the Joint Food and Agriculture Organization of the United Nations and WHO Expert Committee Meeting on Food Additives (聯合國糧食與農業組織和世衛組織食品添加劑聯合專家委員會會議).

Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology (國家科技進步二等獎) in 2006 and the second prize of the National Award for Technological Invention (國家技術發明二等獎) in 2015 and was elected as an academican of the Chinese Academy of Engineering (中國工程院院士) in 2015. Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology again in 2020.

Mr. Shen obtained a master's degree of agriculture from Beijing Agricultural University (北京農業大學) in 1988 and a doctorate degree of science from China Agricultural University (中國農業大學) in 1997.

Senior Management

Mr. Yuan Jun (袁軍), aged 44, is the executive Director and president of our Company. Please see above for further details.

Mr. Dong Jiping (董計平), aged 43, is the executive Director and vice president of our Company. Please see above for further details.

Mr. Jiang Guangjun (姜廣軍), aged 50, joined our Group in December 2019, and was appointed as the vice president of our Company on November 15, 2020. Mr. Jiang has over 25 years of experience in dairy industry and is primarily responsible for the Group's quality, safety and environmental, supply security and other management work.



Biographical Details of Directors and Senior Management

Mr. Jiang started his career at the cold drink division (冷飲事業部) of Yili Group in July 1998 and served as a quality inspector at the chocolate egg roll workshop (巧克力蛋卷車間) from July 1998 to January 2000. He then worked at the No.2 workshop of Jinchuan Factory (金川廠) under liquid milk division (液態奶事業部) of Yili Group for various positions, including as section chief from January 2000 to January 2001, as production manager from January 2001 to September 2002, and as the assistant to the factory head from September 2002 to February 2004. He then served as the general manager at Xilinhote Branch of liquid milk division (液態奶事業部) of Yili Group from February 2004 to September 2004, the general manager at Qiqihar Branch of liquid milk division (液態奶事業部) of Yili Group from October 2004 to September 2005, the general manager at Baotou Yili Dairy Co., Ltd. (包頭伊利乳業有限責任公司) under liquid milk division (液態奶事業部) of Yili Group from October 2005 to November 2010. He was the president of Ningxia Yili Dairy Co., Ltd. (寧夏伊利乳業有限責任公司) under liquid milk division (液態奶事業部) of Yili Group from November 2010 to August 2012, and was then promoted and worked as its senior president from August 2012 to August 2013. He served at the supply department in liquid milk division (液態奶事業部) of Yili Group, as the deputy supervisor in supply (person in charge) from August 2013 to February 2018, and as the supervisor in supply from February 2018 to December 2018. He worked as the vice president at the liquid milk division (液態奶事業部) of Yili Group from December 2018 to December 2019.

Mr. Jiang is the vice president of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC, since December 2019, and he has been a director of SKX, a subsidiary of the Company in the PRC, since September 2020, and he has also been a chairman of Youmu Investment Management since June 2022.

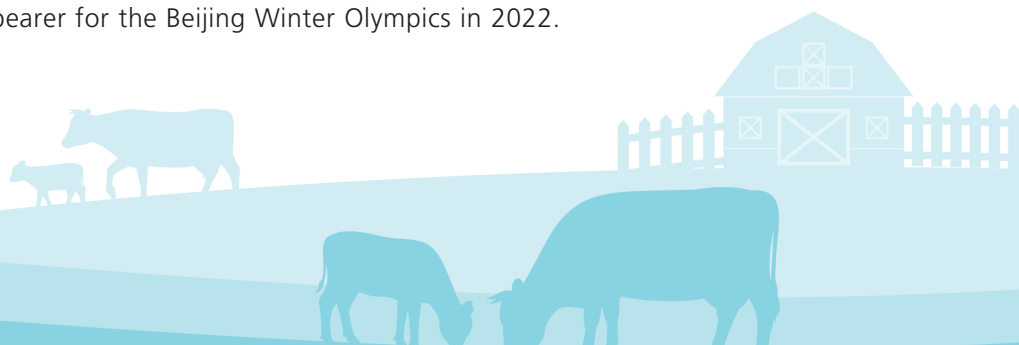
Mr. Jiang obtained his bachelor of engineering degree, majoring in food science and engineering from Inner Mongolia Agriculture University (內蒙古農業大學) in July 1998.

Mr. Xu Yanfei (許燕飛), aged 43, joined our Group in August 2008 and was appointed as a vice president of our Company on November 15, 2020. Mr. Xu has over 17 years of experience in farm management, and is responsible for overseeing and managing the overall operations of our Group's farms.

Mr. Xu started his career in Yili Group's raw milk division and served as the quality controller and system operator of the raw milk division from 2006 to 2007; and as the general manager of project management department of the raw milk division from 2007 to 2008. From 2008 to 2017, he served as a veterinarian, the group leader of the milking department, the deputy manager of the milking department, the manager of the milking department, the manager of the feeding department, the assistant to dairy farm manager and the dairy farm manager, during which he was assigned to study for one year at a farm of 10,000 cows in Florida, U.S. from 2011 to 2012. From July 2017 to December 2018, he served as the assistant general manager of the husbandry unit of Inner Mongolia Youran, a principal operating subsidiary of the Company in China; the vice president of Inner Mongolia Youran and was responsible for husbandry business from December 2018 till now.

Mr. Xu is also a director of a number of subsidiaries of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC.

Mr. Xu obtained his bachelor's degree in agriculture from the Agricultural University of Inner Mongolia (內蒙古農業大學) in June 2006, majoring in animal medicine. He was awarded May 1 Labour Medal in the Inner Mongolia Autonomous Region (內蒙古自治區五一勞動獎章) and "Labour Model of Hohhot" (呼和浩特市勞動模範), and was the torchbearer for the Beijing Winter Olympics in 2022.



Biographical Details of Directors and Senior Management

Mr. Zhuang Yanxiao (莊燕曉), aged 40, joined our Group in 2023 and was appointed as a vice president of our Company on March 27, 2024. Mr. Zhuang has over 18 years of experience in dairy industry, and is responsible for overseeing and managing the overall operation of our Group's feed business.

Mr. Zhuang started his career in the raw milk division of Yili Group in 2006, and then served as the assistant to the regional quality manager, the regional manager of raw milk, the quality manager of milk source region and the regional manager of raw milk respectively from August 2008 to June 2017. From June 2017 to August 2020, Mr. Zhuang served as the deputy director and director of inspection of the liquid milk source inspection department of Yili Group, respectively. From September 2020 to December 2023, Mr. Zhuang served as the general manager of Mengjin milk source region of Yili Group's liquid milk division.

Mr. Zhuang is also a director of a number of subsidiaries of Inner Mongolia Youran, the Company's principal operating subsidiary in the PRC.

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 2002, majoring in food science and engineering.

Mr. Lv Xiongyu (呂雄宇), aged 52, joined our Group since January 2022 and was appointed as the vice president and the secretary to the Board of our Group. Mr. Lv has more than 21 years of experience in 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.

From July 1994 to March 2003, Mr. Lv worked in Armed Police of China 5303 Factory (武警五三零三工廠), holding various positions such as statistics, auditing, comprehensive operation and management, etc. From March 2003 to March 2015, he worked in Yili Group, successively serving as the auditor of liquid milk division (液態奶事業部) of Yili Group, the financial manager of Shuo Zhou Yili Dairy Co., Ltd. (朔州伊利乳業有限責任公司) and Hefei Yili Dairy Co., Ltd. (合肥伊利乳業有限責任公司), 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; and the deputy marketing and finance director and the budget management director of the financial management 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 (a principal operating subsidiary of the Company in the PRC) and the assistant deputy director of finance of SKX. He was concurrently appointed as the secretary to the Board of Inner Mongolia Youran since May 2016, and also serving as a director of Inner Mongolia Youran from November 2015 to December 2019; and from August 2019 to January 2022, he worked in Yili Group as the head of its M&A department.

Mr. Lv has also been a director of Youmu Investment Management, a subsidiary of the Company, since June 2022.

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.



Corporate Governance Report

The Board of Directors is pleased to present the corporate governance report for 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. During the Reporting Period, the Company had adopted and complied with all the applicable code provisions of the Corporate Governance Code. 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.

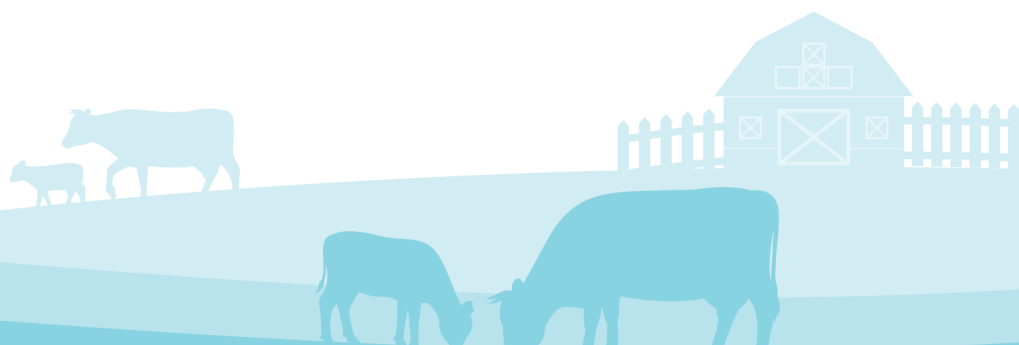
Compliance with the Model Code

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 have 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 two executive Directors, four non-executive Directors and three independent non-executive Directors.



Corporate Governance Report

The composition of the Board is as follows:

Executive Directors

Mr. Yuan Jun (袁軍) (*President*)

Mr. Dong Jiping (董計平)

Non-executive Directors

Mr. Zhang Yujun (張玉軍) (*Chairman*)
(resigned on July 28, 2023)

Mr. Wu Xiang (武翔) (*Chairman*)
(appointed on July 28, 2023)

Mr. Xu Jun (徐軍)

Mr. Xu, Zhan Kevin (許湛)

Mr. Qiu Zhongwei (邱中偉)

Independent non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 67 to 72 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.

Chairman and President

The positions of Chairman and President are held by Mr. Wu Xiang and Mr. Yuan Jun, respectively. 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.



Corporate Governance Report

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 below:

Name of Director	Board	Remuneration Committee	Nomination Committee	Audit Committee	General Meeting
Executive Directors:					
Mr. Yuan Jun	4/4	N/A	N/A	N/A	1/1
Mr. Dong Jiping	4/4	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Zhang Yujun (<i>for the period from January 1, 2023 to July 28, 2023</i>)	2/2	N/A	N/A	N/A	1/1
Mr. Wu Xiang (<i>for the period from July 28, 2023 to December 31, 2023</i>)	3/3	N/A	N/A	N/A	N/A
Mr. Xu Jun	4/4	1/1	N/A	N/A	1/1
Mr. Xu, Zhan Kevin	3/4	N/A	1/1	N/A	1/1
Mr. Qiu Zhongwei	4/4	N/A	N/A	2/2	1/1
Independent Non-executive Directors:					
Ms. Xie Xiaoyan	3/4	1/1	N/A	2/2	1/1
Mr. Yao Feng	3/4	N/A	1/1	1/2	0/1
Mr. Shen Jianzhong	3/4	0/1	0/1	N/A	0/1

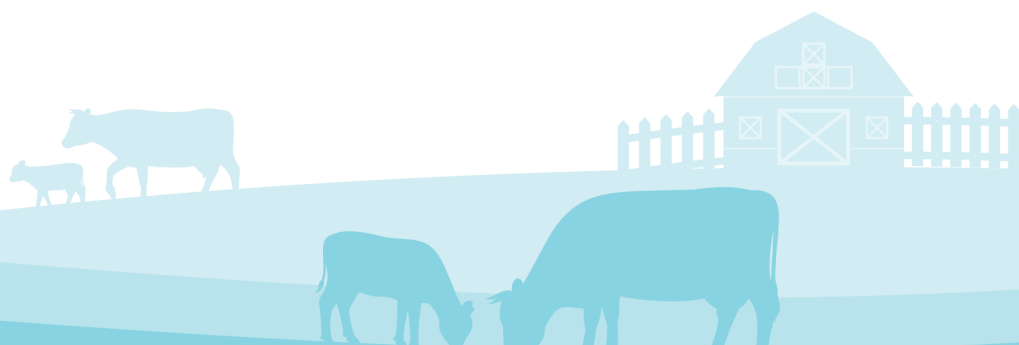
Apart from regular Board meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

During the Reporting Period, the Directors attended the annual general meeting held on May 17, 2023 either in person or online except Mr. Yao Feng and Mr. Shen Jianzhong, both of whom are independent non-executive Directors, due to other personal arrangements.

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.



Corporate Governance Report

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors 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 agreement 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 service contracts or appointment letters is from the date of their appointment for a period of three years 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 Articles of Association.

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. Any Directors appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Wu Xiang, Mr. Dong Jiping, Mr. Yao Feng and Mr. Shen Jianzhong shall retire at the forthcoming AGM and being eligible, and will offer themselves for re-election.

Directors' and Officers' Liabilities Insurance

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



Corporate Governance Report

Responsibilities, Accountabilities and Contributions of the Board and Management

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

The Board directly, and indirectly through its committees, leads and provides direction 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 offices held by them.

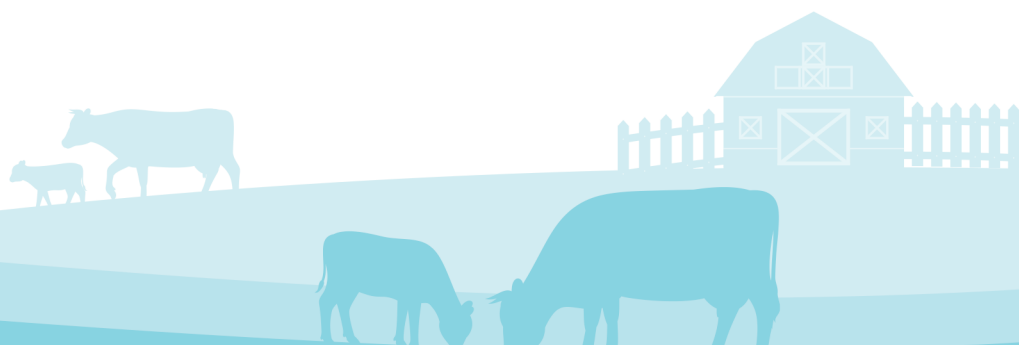
The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational 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 report.

Board Committees

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

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. The Audit Committee consists of three members, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Qiu Zhongwei. Mr. Qiu Zhongwei is a non-executive Director and each of Ms. Xie Xiaoyan and Mr. Yao Feng is an independent non-executive Director. 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.



Corporate Governance Report

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 two meetings to review the Company's annual results, annual report for the year ended December 31, 2022 and the interim results and interim report for the six months ended June 30, 2023. During the meetings, the Audit Committee also reviewed the significant issues on the financial reporting, the effectiveness of the risk management and internal control systems and internal audit function, and the appointment of external auditors and the provision of non-audit services.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Shen Jianzhong, Ms. Xie Xiaoyan and Mr. Xu Jun. Mr. Xu Jun is a non-executive Director and each of Ms. Xie Xiaoyan and Mr. Shen Jianzhong is an independent non-executive Director. Mr. Shen Jianzhong is the chairman 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) determining the specific remuneration packages of all Directors and senior management, including fixed pay, annual bonuses, shares or other incentive awards, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment or alternatively, making recommendations to the Board on such remuneration packages; and (iii) reviewing performance-related elements of the total 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 one meeting to review the remuneration policy and structure of the Company and make recommendation to the Board on the remuneration packages of individual Directors and senior management.

Details of the Directors' remuneration for the year ended December 31, 2023 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 (HKD)	Number of persons
HK\$0-HK\$1,000,000	1
HK\$1,000,001-HK\$1,500,000	2
HK\$1,500,001-HK\$2,000,000	1
Total	4



Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of three members, namely Mr. Yao Feng, Mr. Shen Jianzhong and Mr. Xu, Zhan Kevin. Mr. Xu, Zhan Kevin is a non-executive Director and each of Mr. Yao Feng and Mr. Shen Jianzhong is an independent non-executive Director. Mr. Yao Feng is the chairman 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.

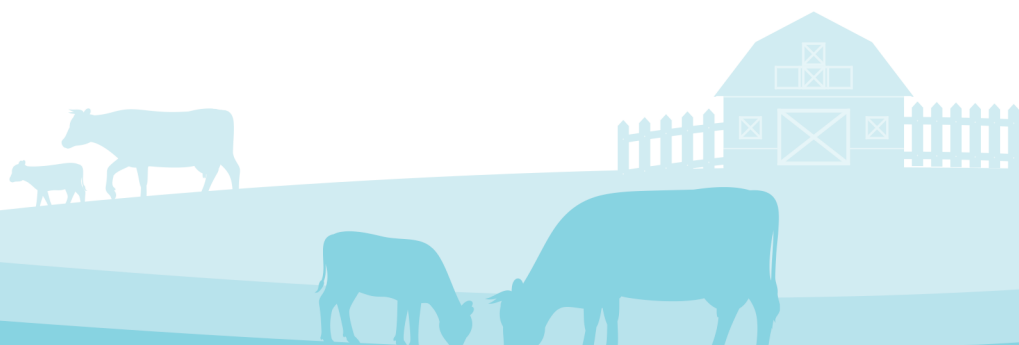
The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held one 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 the Board diversity policy and its implementation.

Board Diversity

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company 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 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, education 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 one female Director and eight male Directors. The Nomination Committee considers that the Board is diverse in terms of gender taking into account the business needs of the Company, and the Directors have a balanced mix of knowledge and skills in various areas, including but not limited to business management, veterinary medicine, biotechnology and financial management and obtained degrees in various majors including economics, engineering and management. The Board of Directors are 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 people suitably qualified to become Board members, having evaluated the 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, use 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.



Corporate Governance Report

Diversity of Employees

The Group is committed to promoting diversity in its workforce, providing an open and inclusive work environment with equal opportunities and protecting the rights of women and minorities. We prohibit any form of harassment or discrimination on the basis of race, colour, age, gender, sexuality, gender identity or expression, disability, pregnancy, religion, political affiliation, veteran status, labour union membership, 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's recruitment strategy is to hire the right person for the right job, regardless of gender. The Group is committed to providing equal opportunities for its employees in recruitment, training and development, position promotion and remuneration. In addition, the Group is committed to value creation, promotes the 4P remuneration philosophy and implements the "broadband remuneration" plan. Workers with the same level of skill and labour proficiency are paid for the same work, regardless of gender, age, ethnicity, disability, region, etc., as long as they can provide the same amount of labour in different ways.

As at December 31, 2023, female employees represented 27.3% of the total workforce (including senior management) and 11% of the Board seats. Going forward, we will continue to work towards enhancing gender diversity of the Board and the Group's employees and when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to the Board.

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 sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to 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 have the necessary skills and experience;



Corporate Governance Report

- Whether or not they are able to spend sufficient time and energy to handle 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

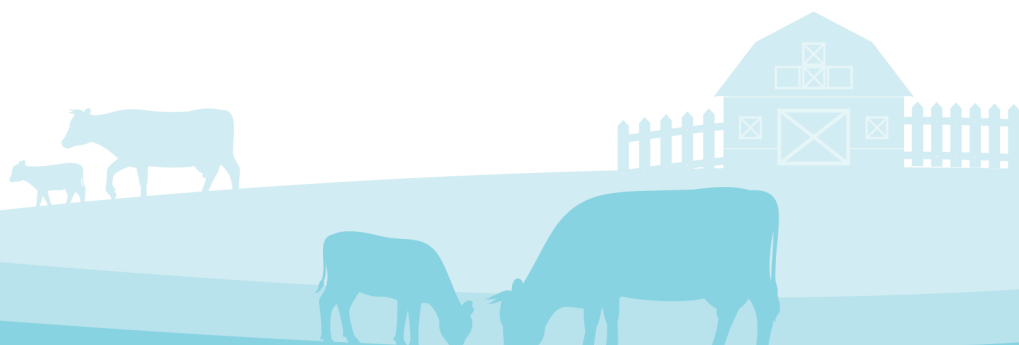
The Board is responsible for performing the functions set out in provision A.2.1 of the Corporate Governance Code.

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

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Dividend Policy

The Company has adopted a dividend policy on payment of dividends in accordance with provision F.1.1 of the Corporate Governance Code.



Corporate Governance Report

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 94 to 97 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.

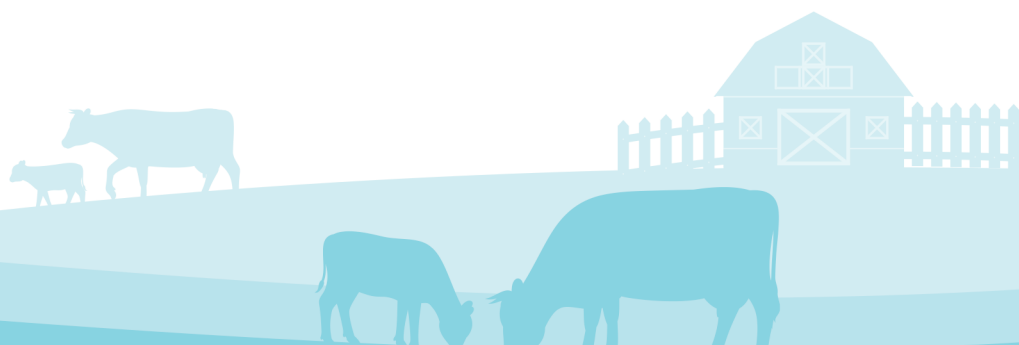
Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors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



Corporate Governance Report

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 of 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 relevant materials relating to regulatory updates, business and industry development, corporate governance, accounting, financial or professional skills and directors' duties. The relevant details are set out below:

Name of Director	Training Topics			
	Corporate Governance	Legal and Regulatory	Business and Industry Development	Internal Control and Risk Management
Executive Directors:				
Mr. Yuan Jun	√	√	√	√
Mr. Dong Jiping	√	√	√	√
Non-executive Directors:				
Mr. Zhang Yujun (<i>for the period from January 1, 2023 to July 28, 2023</i>)	√	√	√	√
Mr. Wu Xiang (<i>for the period from July 28, 2023 to December 31, 2023</i>)	√	√	√	√
Mr. Xu Jun	√	√	√	√
Mr. Xu, Zhan Kevin	√	√	√	√
Mr. Qiu Zhongwei	√	√	√	√
Independent Non-executive Directors:				
Ms. Xie Xiaoyan	√	√	√	√
Mr. Yao Feng	√	√	√	√
Mr. Shen Jianzhong	√	√	√	√



Corporate Governance Report

Auditors' Responsibility and Remuneration

The Company 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 94 to 97.

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	5,550
Non-audit services	2,897
Interim review	1,800
Other services	1,097
Total	8,447

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:

- there are three independent non-executive Directors on the Board (representing one-third of the Board), 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 Director composition on 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 input to the Board and Board Committees;



Corporate Governance Report

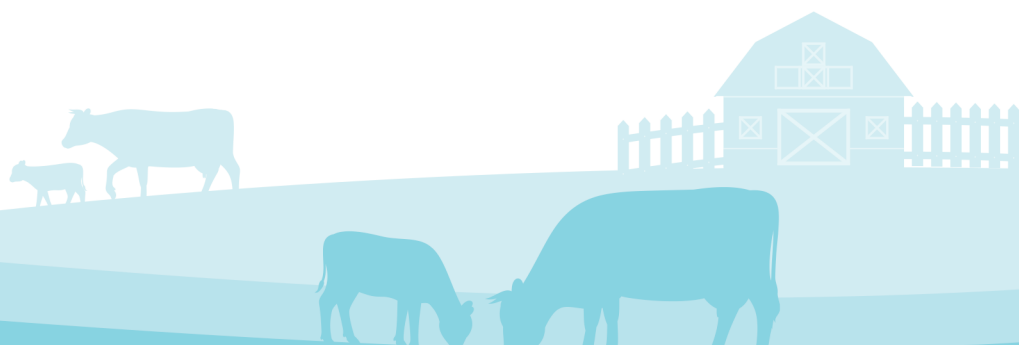
- all Directors (including independent non-executive Directors) may request further data and documentation from the management of the Company on matters discussed at Board meetings;
- all Directors may seek assistance from the secretary to the Board and the company secretary and seek external independent 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 of the Board should at least annually hold meetings 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 semi-annual 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, to achieve 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 to provide assurance that the Company's strategic business objectives are being achieved.



Corporate Governance Report

Risk Management

The Group has established a risk management system, including the establishment of the aforementioned “Three Defence Lines” model for internal control and risk management and the clarification of internal control and risk management responsibilities at various levels, as well as the formulation of risk management-related policies and the establishment of risk management processes. The Group’s internal 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, focuses on the implementation of control of major risks at the Group level, and the Group’s internal control and risk management committee reaches a conclusion on and formulates the corresponding risk response strategies, clarifies the main responsible departments and responsible persons, formulates appropriate risk coping measures or contingency plans, and effectively reduces and circumvents the adverse impact of major risks on the Group’s strategic objectives and sustainable development.

Major Risks

The major risks to which the Company may be exposed and the risk management 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 based on their extensive experience and knowledge in the dairy industry. Based on these strategies, the Group will 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 continue to develop products and technologies, 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 practise green and low-carbon sustainable development. The Group will also closely review and monitor the progress of the implementation of the relevant strategies, take proper risk mitigation measures and make appropriate strategic adjustments, so as to provide consumers and customers with premium raw milk and comprehensive ruminant farming solutions.

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, rising 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; maintaining precise feeding and formula upgrades to deal with rising raw material costs; and optimizing stock loans, adjusting debt structure and improving capital yields to mitigate interest rate risks.



Corporate Governance Report

Financial Risks

The Group is exposed to credit, liquidity and other risks in the ordinary course of business. The Group's overall risk management strategy aims to minimize potential adverse effects on the Group's financial performance.

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 as detailed in the section headed "Risk Management and Internal Control – Internal Control" of this annual report.

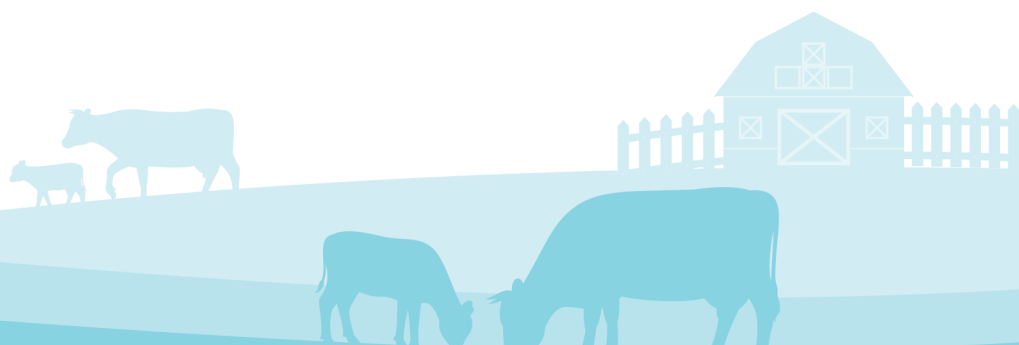
Legal Risks

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, adjusted strategies and adopted countermeasures accordingly, 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, including the establishment of the aforesaid "Three Defence Lines" model for internal control and risk management, and clarification of internal control and risk management responsibilities at various levels, as well as the formulation of internal control-related policies and the establishment of internal control management processes. The internal 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 party in respect of critical controls, establishes clear policies and procedures for important business processes and emphasizes the importance of the internal control system to employees. The Group's policies are the management standards for each business process, covering all aspects of finance, legal and operations, and shall be strictly enforced by all employees.



Corporate Governance Report

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 conducts self-assessment and validation of the internal controls of the business departments and functional divisions within its responsibility on a quarterly basis. The internal 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. The internal audit department then, in combination with the problems found by it, determines the results of internal control evaluation at the company level. In addition, the internal audit department will also issue a report on the overall operation of the Group's internal control system and conduct independent supervision and evaluation. The president of the Company 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.

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 internal 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 internal 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.



Corporate Governance Report

The Group's internal 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 internal 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 internal audit department in a timely manner and the Group's internal 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, detention, suspension, demotion, transfer, salary reduction, termination of labour relations and, for suppliers, termination or prohibition of cooperation, etc.

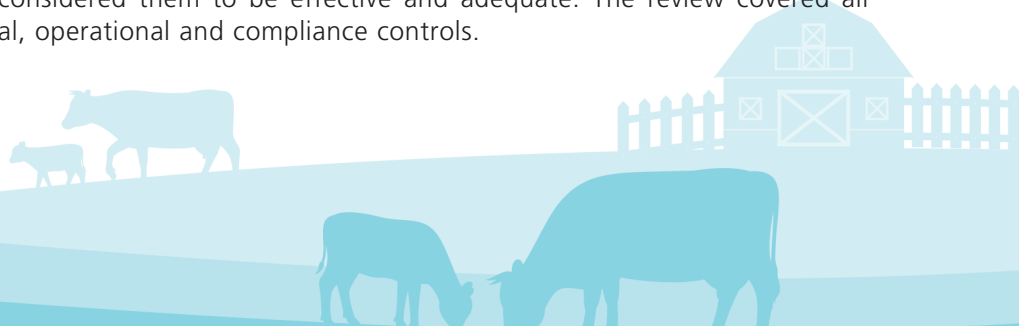
Risk Management and Internal Control Effectiveness

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 group continued to drive the development 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. The linkage of the "Three Defence Lines" has been further strengthened in order to support the development of the Company more effectively.

The Company's handling and release of inside information is governed by the various inside information disclosure procedures, which 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 internal audit department, reporting and making recommendations to the Board in a timely manner. Under the supervision of the Audit Committee, the internal 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 internal 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 internal 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.



Corporate Governance Report

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.

Her primary corporate contact person at the Company is Ms. Wu Di, the manager of the Company’s Hong Kong office 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.

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 of the Company are published on the Company’s website.



Corporate Governance Report

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

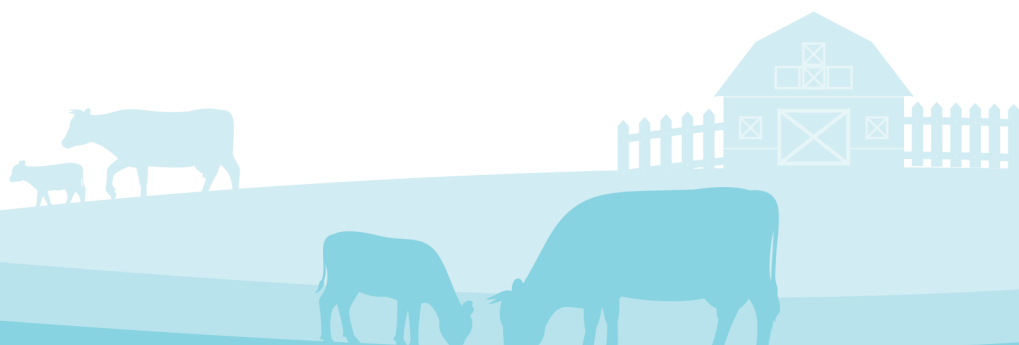
The Company has adopted a shareholder communication policy and maintained it in force, and details of the policy are available on the Company's website. The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the 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.

德勤

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 98 to 201, which comprise the consolidated statement of financial position as at December 31, 2023, 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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 "Code"), and we have fulfilled our other ethical responsibilities in accordance with the 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

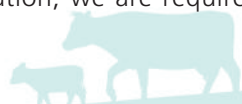
Key audit matter	How our audit addressed the key audit matter
Fair value of milkable cows	
We identified the fair value of milkable cows as a key audit matter due to the significance of the balance on the consolidated statement of financial position at December 31, 2023 and the significant degree of estimates made by the management in determining such fair values.	Our procedures in relation to the significant inputs used in determining fair value of milkable cows included:
The Group reported milkable cows of RMB8,385 million in biological assets as at December 31, 2023. These biological assets are measured at fair value less costs to sell at the end of the reporting period.	• 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;
As disclosed in Notes 5, 22 and 46 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.	• 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 and recent contract prices of main raw materials; 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.
Details of milkable cows and the related estimation uncertainty on their fair value are set out in Notes 5, 22 and 46 to the consolidated financial statements.	

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 IFRSs 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 the independent auditor's report is Mak Chi Lung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

March 27, 2024



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Revenue	6	18,693,896	18,050,761
Cost of sales	7	(17,499,357)	(16,958,848)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	22	3,275,246	3,131,809
Gross profit		4,469,785	4,223,722
Loss arising from changes in fair value less costs to sell of biological assets	22	(3,613,271)	(1,617,116)
Other income	8	453,821	362,890
Impairment loss under expected credit loss model, net of reversal	9	(6,629)	(32,739)
Impairment loss recognised in respect of goodwill	20	(120,966)	–
Other gains and losses	10	135,551	47,999
Selling and distribution expenses		(619,566)	(590,016)
Administrative expenses		(778,154)	(721,535)
Other expenses		(70,383)	(64,923)
Share of losses of associates	24	(126,559)	(35,531)
Share of (loss)/profit of a joint venture		(541)	4
Finance costs	11	(1,082,592)	(1,097,485)
(Loss)/profit before tax		(1,359,504)	475,270
Income tax expense	12	(93,388)	(69,284)
(Loss)/profit for the year	13	(1,452,892)	405,986
Other comprehensive income/(expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value profit/(loss) on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax	25	6,236	(6,873)
Exchange differences arising on translation from functional currency to presentation currency		298,805	1,338,548
		305,041	1,331,675
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(363,985)	(1,586,925)
Other comprehensive expense for the year, net of income tax		(58,944)	(255,250)
Total comprehensive (expense)/income for the year		(1,511,836)	150,736
(Loss)/profit for the year attributable to:			
Owners of the Company		(1,049,980)	414,771
Non-controlling interests		(402,912)	(8,785)
		(1,452,892)	405,986
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(1,111,555)	162,353
Non-controlling interests		(400,281)	(11,617)
		(1,511,836)	150,736
		RMB	RMB
(Loss)/earnings per share	15		
Basic		(0.28)	0.11
Diluted		(0.28)	0.11

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
Non-current assets			
Property, plant and equipment	17	15,181,413	12,965,610
Investment properties	18	18,445	23,815
Right-of-use assets	19	2,735,677	2,455,583
Goodwill	20	672,014	792,980
Intangible assets	21	25,178	23,163
Biological assets	22	14,605,898	13,221,418
Deferred tax assets	23	35,388	24,345
Interests in associates	24	1,047,147	1,156,647
Interest in a joint venture		4,301	4,758
Equity instruments at FVTOCI	25	18,728	28,066
Pledged and restricted bank deposits	31	12,940	11,667
Deposits paid for purchase of property, plant and equipment		355,405	708,316
Deposits paid for purchase of biological assets		34,616	459,138
Deposits paid for right-of-use assets		4,187	1,601
Prepayments, deposits and other receivables	29	41,982	–
		34,793,319	31,877,107
Current assets			
Inventories	26	4,504,858	4,692,784
Trade receivables	27	792,071	1,312,099
Bills receivable		4,323	–
Contract assets	28	2,278	7,116
Biological assets	22	212	8,490
Prepayments, deposits and other receivables	29	380,394	858,465
Financial assets at fair value through profit or loss ("FVTPL")	30	–	1,919,338
Amounts due from related parties	47	1,099,845	917,568
Pledged and restricted bank deposits	31	134,087	401,097
Bank balances and cash	31	3,935,982	936,358
Deposits placed with a related party	47	552,359	515,895
		11,406,409	11,569,210
Current liabilities			
Trade and bills payables	32	2,113,192	2,688,578
Other payables and accruals	33	1,982,750	1,893,511
Contract liabilities	34	31,231	41,895
Amounts due to related parties	47	79,277	47,338
Bank and other borrowings	35	16,433,086	13,827,675
Lease liabilities	37	220,788	131,604
Other liabilities	38	7,310	6,942
Other provisions	39	19,807	19,807
Convertible notes	40	–	1,206,200
Income tax payable		27,139	32,734
		20,914,580	19,896,284
Net current liabilities		(9,508,171)	(8,327,074)
Total assets less current liabilities		25,285,148	23,550,033

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
Non-current liabilities			
Bank and other borrowings	35	9,826,502	6,731,381
Deferred tax liabilities	23	7,292	6,192
Deferred income	36	728,211	619,510
Lease liabilities	37	1,601,913	1,425,387
Other liabilities	38	–	7,310
Other provisions	39	22,535	9,124
		12,186,453	8,798,904
Net assets		13,098,695	14,751,129
Capital and reserves			
Share capital	41	251	251
Reserves		11,830,467	13,063,495
Equity attributable to owners of the Company		11,830,718	13,063,746
Non-controlling interests		1,267,977	1,687,383
Total equity		13,098,695	14,751,129

The consolidated financial statements on pages 98 to 201 were approved and authorised for issue by the board of directors on March 27, 2024 and are signed on its behalf by:

Yuan Jun
Director

Dong Jiping
Director



Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000 (Note (iii))	Convertible notes equity reserve RMB'000	Capital reserves RMB'000 (Note (i))	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000 (Note (ii))	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At January 1, 2022	251	7,342,303	188,567	963,384	(4,926)	2,676	84,079	398,376	4,206,201	13,180,911	1,699,000	14,879,911
(Loss)/profit and other comprehensive (expense)/income for the year	-	-	-	-	-	(4,010)	(248,408)	-	414,771	162,353	(11,617)	150,736
Partial redemption of convertible notes (Note 40)	-	-	-	(286,303)	-	-	-	-	-	(286,303)	-	(286,303)
Statutory fund appropriation	-	-	-	-	-	-	-	199,508	(199,508)	-	-	-
Others	-	6,785	-	-	-	-	-	-	-	6,785	-	6,785
At December 31, 2022	251	7,349,088	188,567	677,081	(4,926)	(1,334)	(164,329)	597,884	4,421,464	13,063,746	1,687,383	14,751,129
Loss and other comprehensive income/(expense) for the year	-	-	-	-	-	3,639	(65,214)	-	(1,049,980)	(1,111,555)	(400,281)	(1,511,836)
Dividends paid to owners of the Company (Note 16)	-	(83,499)	-	-	-	-	-	-	-	(83,499)	-	(83,499)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,125)	(19,125)
Partial redemption/maturity of convertible notes (Note 40)	-	-	-	(677,081)	639,107	-	-	-	-	(37,974)	-	(37,974)
Statutory fund appropriation	-	-	-	-	-	-	-	114,218	(114,218)	-	-	-
At December 31, 2023	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

Notes:

- (i) Capital reserves represent 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 reserves represent the amounts arose from group reorganisation during 2015.



Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
OPERATING ACTIVITIES			
(Loss)/profit before tax		(1,359,504)	475,270
Adjustments for:			
Share of losses/(profit) of a joint venture		541	(4)
Share of losses of associates		126,559	35,531
Loss arising from changes in fair value less costs to sell of biological assets		3,613,271	1,617,116
Bank interest income	8	(22,208)	(16,514)
Interest income from Yili Group (as defined in Note 47)	8	(6,026)	(6,670)
Interest income from finance lease receivables		(136)	–
Government grants	8	(190,578)	(145,875)
Finance costs	11	1,082,592	1,097,485
Exchange gain		(780)	(4,057)
Depreciation and amortisation	13	551,249	439,609
Write-down of inventories		9,184	1,863
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	9	6,629	32,739
Loss on disposal of property, plant and equipment	10	18,531	2,000
Impairment loss on property, plant and equipment	10	7,879	3,522
Impairment loss on investment property	10	3,441	–
Impairment loss recognised in respect of goodwill	20	120,966	–
Gain on termination of lease agreements	10	(1,454)	(673)
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group (as defined in Note 20)	10	–	(49,234)
Loss/(gain) on partial redemption of convertible notes	10	918	(901)
Fair value gains on financial assets at FVTPL	10	(160,429)	(19,338)
Reversal of provision for litigations	10	–	(4,247)
Operating cash flows before movements in working capital		3,800,645	3,457,622
Decrease/(increase) in inventories		273,636	(1,290,073)
Decrease/(increase) in trade receivables		516,057	(156,309)
(Increase)/decrease in bills receivable		(4,323)	13,828
Decrease/(increase) in prepayments and other receivables		444,496	(355,197)
Increase in amounts due from related parties		(182,277)	(137,176)
Decrease in contract assets		4,838	1,238
(Decrease)/increase in trade and bills payables		(575,386)	809,981
Increase in other payables and accruals		98,562	135,042
(Decrease)/increase in contract liabilities		(10,027)	3,833
Increase in amounts due to related parties		31,939	45,455
Decrease in other provisions		–	(8,768)
Increase in deferred income		56,922	78,245
Cash generated from operations		4,455,082	2,597,721
Interest received		28,234	23,184
Income taxes paid		(93,352)	(73,127)
Net cash from operating activities		4,389,964	2,547,778

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTES	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,758,361)	(3,471,559)
Payments for right-of-use assets		(103,790)	(45,765)
Payments for intangible assets		(402)	(7,982)
Proceeds from disposal of property, plant and equipment		28,451	43,990
Payments for biological assets		(5,188,369)	(5,152,172)
Proceeds from disposal of biological assets		1,088,357	1,037,515
Purchase of equity instruments at FVTOCI		–	(10,127)
Purchase of financial assets at FVTPL		(4,500,000)	(1,900,000)
Proceeds from disposal of financial assets at FVTPL		6,579,767	–
Investments in a joint venture		–	(4,186)
Investments in associates		–	(1,157,650)
Placement of pledged and restricted bank deposits		(12,713)	(403,458)
Withdrawal of pledged and restricted bank deposits		278,450	34,488
Receipt of government grants for assets		242,357	253,087
Receipt from finance lease receivables		1,875	–
Net cash used in investing activities		(4,344,378)	(10,783,819)
FINANCING ACTIVITIES			
New bank and other borrowings raised		37,627,099	25,178,548
Repayments of bank and other borrowings		(32,007,949)	(14,204,626)
Interest paid for bank and other borrowings		(835,840)	(419,884)
Repayment of lease liabilities		(107,806)	(136,428)
Interest paid for lease liabilities		(75,282)	(68,542)
Repayment of other liabilities		(7,500)	(7,500)
Dividends paid to owners of the Company	16	(83,499)	–
Dividends paid to non-controlling interests		(19,125)	–
Pledged receivables for bank borrowings	29	(23,758)	–
Payments of interest cost for convertible notes	40	(26,099)	(104,468)
Payments of partial redemption/maturity of convertible notes	40	(1,450,283)	(2,185,257)
Net cash from financing activities		2,989,958	8,051,843
Net increase/(decrease) in cash and cash equivalents		3,035,544	(184,198)
Cash and cash equivalents at beginning of the year		1,452,253	1,627,420
Effect of foreign exchange rate changes		544	9,031
Cash and cash equivalents at end of the year, represented by bank balances, cash and deposits placed with a related party		4,488,341	1,452,253



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 International Financial Reporting Standards (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two Model Rules</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The application of the new and amendments to IFRSs 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, 2023

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (*continued*)

New and amendments to IFRSs that are mandatorily effective for the current year (*continued*)

Amendments to IFRSs in issue but not yet effective

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

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 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements²</i>
Amendments to IAS 21	<i>Lack of Exchangeability³</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, 2024.

3 Effective for annual periods beginning on or after January 1, 2025.

Except as mentioned below, the directors of the Company anticipate that the application of the above amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 Statement of Cash flows stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (*continued*)

New and amendments to IFRSs that are mandatorily effective for the current year (*continued*)

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements (*continued*)

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;
- The carrying amount and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

The application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures of liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with IFRSs. 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, 2023, the Group had net current liabilities of RMB9.5 billion. The consolidated financial statements have been prepared on a going concern basis, because the directors of the Company are of the opinion that, based on a cash flow forecast of the Group for the 12 months ending December 31, 2024 prepared by the management, the Group would have adequate funds to meet its liabilities as and when they fall due for at least 12 months from December 31, 2023. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, the available unutilised bank loan facilities obtained and the expected renewal of certain utilised bank loan facilities for an aggregate amount of approximately RMB10.9 billion within 12 months from December 31, 2023.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of 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.

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 a reporting 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 reporting 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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.

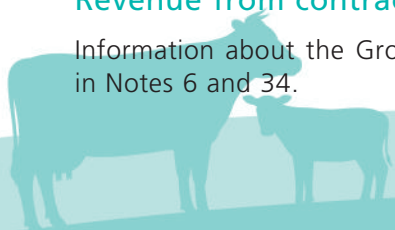
The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting 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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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 or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- 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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

Leases (*continued*)

The Group as a lessee (*continued*)

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 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.

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 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

Leases (*continued*)

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, 2023

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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

Taxation (*continued*)

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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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).

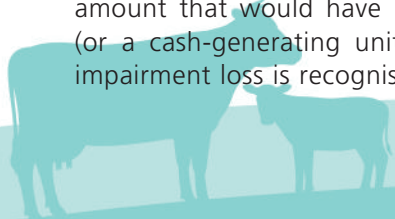
The recoverable amount of property, plant and equipment, investment properties, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating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

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of:

- (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, 2023

4. Material Accounting Policy Information (*continued*)

Biological assets

The Group's biological assets mainly include dairy cows and dairy goats. 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, 2023

4. Material Accounting Policy Information (*continued*)

Financial instruments (*continued*)

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 selling and collecting 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.

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, 2023

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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

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.

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.

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;



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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)

(i) Significant increase in credit risk (*continued*)

- 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.

(ii) Definition of default

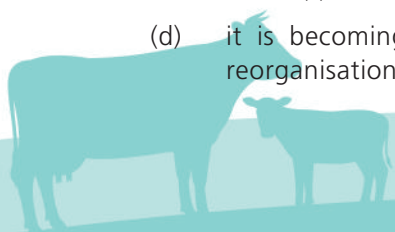
For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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)

(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.

(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.

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

Financial instruments (*continued*)

Financial assets (*continued*)

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.

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, other liabilities and debt component of convertible notes, are subsequently measured at amortised cost, using the effective interest method.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

4. Material Accounting Policy Information (*continued*)

Financial instruments (*continued*)

Financial liabilities and equity (*continued*)

Convertible notes

A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. When a change in functional currency occurs and, as a consequence, the conversion feature no longer meets the definition of financial liability, reclassification is considered.

The fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, if any, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to capital reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2023 was RMB8,385,409,000 (2022: RMB7,204,357,000). Further details are given in Notes 22 and 46.

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, 2023, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB15,181,413,000 (2022: RMB12,965,610,000) and RMB2,735,677,000 (2022: RMB2,455,583,000), respectively as disclosed in Notes 17 and 19.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 45.

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 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, 2023, the carrying amount of goodwill was RMB672,014,000 (2022: RMB792,980,000). Details are disclosed in Note 20.

Estimated impairment of interests in associates

As at December 31, 2023, 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, 2023, the carrying amount of the interests in associates amounted to RMB1,047,147,000 (2022: RMB1,156,647,000). Details are disclosed in Note 24.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. Revenue and Segment Information

(i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Types of goods:		
Sales of raw milk	12,902,987	10,853,917
Sales of feeds	5,209,450	6,576,398
Sales of ruminant farming products	396,773	468,644
Sales of breeding products	184,686	151,802
	18,693,896	18,050,761
Timing of revenue recognition:		
A point in time	18,693,896	18,050,761

(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 top management (being chief operating decision maker (the "CODM")), in order to allocate resources to operating segments and to assess their performance focuses on types of products delivered. Specifically, the Group's reportable segments under IFRS 8 *Operating Segments* are as follows:

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2023

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

6. Revenue and Segment Information (continued)

Segment revenue and results (continued)

For the year ended December 31, 2022

	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	10,853,917	7,196,844	18,050,761	–	18,050,761
Inter-segment revenue	–	2,049,064	2,049,064	(2,049,064)	–
	10,853,917	9,245,908	20,099,825	(2,049,064)	18,050,761
Segment results	2,712,863	414,232	3,127,095		3,127,095
Loss arising from changes in fair value less costs to sell of biological assets					(1,617,116)
Share of losses of associates					(35,531)
Share of profit of a joint venture					4
Fair value gain on financial assets at FVTPL					19,338
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group					49,234
Unallocated other income and expenses					(145,508)
Unallocated finance costs					(922,246)
Profit before tax					475,270

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit before tax earned by each segment without allocation of central administration costs, corporate income and expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value gain on financial assets at FVTPL, impairment loss recognised in respect of goodwill, reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group, share of profit/(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, 2023

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, 2023					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	483,915	60,867	544,782	6,467	551,249
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	1,085	5,544	6,629	–	6,629
Impairment loss of property, plant and equipment	7,879	–	7,879	–	7,879
Fair value gains on derivative financial instruments	(2,792)	(852)	(3,644)	–	(3,644)
Gains on termination of lease agreements	(1,454)	–	(1,454)	–	(1,454)
Loss on disposal of property, plant and equipment	8,624	9,907	18,531	–	18,531
Interest income	(9,668)	(2,978)	(12,646)	(15,588)	(28,234)
Finance costs	193,617	48,570	242,187	840,405	1,082,592
Amounts not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (Note)	8,893,193	80,423	8,973,616	–	8,973,616
Investments in associates	–	–	–	1,047,147	1,047,147
Investment in a joint venture	–	–	–	4,301	4,301
Share of losses of associates	–	–	–	126,559	126,559
Share of loss of a joint venture	–	–	–	541	541



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2022					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	375,165	53,878	429,043	10,566	439,609
(Reversal of impairment loss)/impairment loss of trade and other receivables under expected credit loss model, net of reversal	(6,483)	39,222	32,739	–	32,739
Impairment loss of property, plant and equipment	3,522	–	3,522	–	3,522
Fair value losses on derivative financial instruments	27,413	–	27,413	–	27,413
Gains on termination of lease agreements	(673)	–	(673)	–	(673)
Reversal of provision regarding to a civil litigation	(4,247)	–	(4,247)	–	(4,247)
(Gain)/loss on disposal of property, plant and equipment	(1,179)	3,179	2,000	–	2,000
Interest income	(7,381)	(3,495)	(10,876)	(12,308)	(23,184)
Finance costs	121,705	53,534	175,239	922,246	1,097,485
Amounts not included in the measure of segment profit or loss or segment assets					
Additions to non-current assets (Note)	9,570,432	178,137	9,748,569	–	9,748,569
Investments in associates	–	–	–	1,156,647	1,156,647
Investment in a joint venture	–	–	–	4,758	4,758
Share of losses of associates	–	–	–	35,531	35,531
Share of profit of a joint venture	–	–	–	(4)	(4)

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, 2023

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:

	2023 RMB'000	2022 RMB'000
Customer A:		
Revenue from sales of raw milk	12,447,239	10,485,086
Revenue from sales of feeds	171,542	119,506
Revenue from ruminant farming products	449	422
Revenue from breeding products	14,063	12,754
	12,633,293	10,617,768

7. Cost of Sales

An analysis of cost of sales is as follows:

	2023 RMB'000	2022 RMB'000
Cost of raw milk sold before fair value adjustments	9,206,651	7,441,870
Raw milk fair value adjustments	3,286,737	3,132,382
Cost of raw milk sold after fair value adjustments	12,493,388	10,574,252
Cost of feeds sold before forage grass fair value adjustments	4,582,318	5,912,629
Forage grass fair value adjustments	(11,491)	(573)
Cost of feeds sold after fair value adjustments	4,570,827	5,912,056
Cost of ruminant farming products sold	321,386	394,853
Cost of breeding products	113,756	77,687
Total cost of sales	17,499,357	16,958,848



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

8. Other Income

An analysis of other income is as follows:

	2023 RMB'000	2022 RMB'000
Government grants released from deferred income (Note 36)	190,578	145,875
Incentive subsidies (Note)	182,799	155,316
Rental income	19,804	9,612
Bank interest income	22,208	16,514
Interest income from Yili Group	6,026	6,670
Income from sale of scrap materials	11,911	10,816
Compensation income	2,109	1,938
Write-back of other payables	5,003	3,735
Others	13,383	12,414
	453,821	362,890

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

	2023 RMB'000	2022 RMB'000
Impairment loss recognised/(reversed) on:		
Trade receivables	3,971	33,450
Other receivables	2,658	(711)
	6,629	32,739

Details of impairment assessments are set out in Note 45.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

10. Other Gains and Losses

	2023 RMB'000	2022 RMB'000
Foreign exchange differences, net	47	3,309
Loss on disposal of property, plant and equipment, net	(18,531)	(2,000)
Impairment loss on property, plant and equipment	(7,879)	(3,522)
Impairment loss on investment property	(3,441)	–
Fair value gain/(loss) on derivative financial instruments (Note)	3,644	(27,413)
Fair value gain on financial assets at FVTPL	160,429	19,338
(Loss)/gain on partial redemption of convertible notes	(918)	901
Gain on termination of lease agreements	1,454	673
Reversal of provision regarding to a civil litigation	–	4,247
Reversal of provision regarding the adjustments made to the consideration for acquisition of SKX Group	–	49,234
Recovery of pre-acquisition doubtful debt of SKX Group	29	3,447
Others	717	(215)
	135,551	47,999

Note:

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

11. Finance Costs

	2023 RMB'000	2022 RMB'000
Interest on:		
Bank and other borrowings	850,078	435,914
Other liabilities	558	907
Lease liabilities	75,282	68,542
Unwinding of the discount of other provisions	850	450
Convertible notes (Note 40)	216,347	628,269
	1,143,115	1,134,082
Less: Amounts capitalised to construction in progress	(60,523)	(36,597)
	1,082,592	1,097,485

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, 2023

12. Income Tax Expense

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	87,355	80,320
Underprovision/(overprovision) in prior periods:		
PRC EIT	402	(4,200)
Deferred tax (Note 23)	5,631	(6,836)
	93,388	69,284

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 (2022: Nil).

Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC. In addition, certain subsidiaries operating in the PRC, including Inner Mongolia Youran Dairy Co., Ltd., Muquan Yuanxing Feed, Ningxia Bio-Technology, Wulanchabu Muquan Yuanxing Feed and Bayannur Muquan Yuanxing Feed (as defined in Note 52) are eligible for preferential tax rate of 15% under relevant preferential tax policy in relation to PRC western development. According to the preferential tax policy of Ningxia, the PRC, for promoting local investment (Ningzheng Fa [2012] No. 97), Ningxia Yikangyuan Bio-Technology Co., Ltd. is eligible for 20% EIT reduction from 2021 to 2023 on the basis of 15% tax rate. 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% (2022: 25%).

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

	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax	(1,359,504)	475,270
Tax at the statutory rate of 25% (2022: 25%)	(339,876)	118,818
Tax effect of expenses not deductible for tax purpose	36,143	5,166
Effect of PRC tax exemption granted to agricultural business	284,684	(188,582)
Preferential income tax rates applicable to PRC subsidiaries	(39,932)	(34,819)
Effect of tax exemption granted to the Company	124,442	169,457
Underprovision/(overprovision) in respect of prior periods	402	(4,200)
Tax effect of additional deduction on certain research and development expenses	(11,136)	(5,438)
Tax effect of share of loss/(profit) of a joint venture	135	(1)
Tax effect of share of losses of associates	31,640	8,883
Tax effect of tax losses not recognised	8,281	–
Tax effect of recognition of deductible temporary differences previously not recognized	(1,395)	–
Income tax expense	93,388	69,284

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

13. (Loss)/Profit for the Year

The Group's (loss)/profit for the year is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Depreciation of:		
Property, plant and equipment	914,188	713,712
Investment properties	1,929	1,929
Right-of-use assets	199,768	165,494
Amortisation of intangible assets	2,412	2,441
Total depreciation and amortisation	1,118,297	883,576
Less: Capitalised in biological assets	(465,749)	(355,397)
Capitalised in construction in progress	(6,405)	(10,126)
Capitalised in inventories	(94,894)	(78,444)
Depreciation and amortisation charged directly to profit or loss	551,249	439,609
Lease payments not included in the measurement of lease liabilities	30,028	36,308
Less: Capitalised in biological assets	(15,346)	(14,053)
Capitalised in inventories	(156)	(888)
	14,526	21,367
Auditors' remuneration	7,350	6,950
Research and development costs recognised in profit or loss	64,846	58,691
Employee benefits expense (including directors' remuneration as disclosed in Note 14):		
Salaries and allowances	1,163,879	1,011,913
Retirement benefit scheme contributions	136,725	115,306
Total staff costs	1,300,604	1,127,219
Less: Capitalised in biological assets	(423,638)	(395,988)
	876,966	731,231



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 (iii))	Retirement benefit scheme contributions RMB'000	Total RMB'000
Year ended December 31, 2023:					
<i>Executive directors:</i>					
Mr. Yuan Jun	–	1,673	2,000	40	3,713
Mr. Dong Jiping	–	1,104	–	40	1,144
<i>Non-executive directors:</i>					
Mr. Zhang Yujun (Note (ii))	–	–	–	–	–
Mr. Wu Xiang (Note (ii))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,777	2,000	80	5,457
Year ended December 31, 2022:					
<i>Executive directors:</i>					
Mr. Zhang Xiaodong (Note (i))	–	749	–	22	771
Mr. Yuan Jun (Note (i))	–	964	–	16	980
Mr. Dong Jiping	–	857	–	38	895
<i>Non-executive directors:</i>					
Mr. Zhang Yujun	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,570	–	76	3,246



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

14. Directors', Chief Executive's and Employees' Emoluments (*continued*)

(a) Directors' emoluments (*continued*)

Notes:

- (i) Mr. Zhang Xiaodong resigned as executive director and the chief executive of the Company on July 22, 2022. Mr. Yuan Jun was appointed as executive director and the chief executive of the Company on July 22, 2022.
- (ii) Mr. Zhang Yujun resigned as non-executive director and the chairman of the Company on July 28, 2023. Mr. Wu Xiang was appointed as non-executive director and the chairman of the Company on July 28, 2023.
- (iii) 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 (2022: nil) directors for the year ended December 31, 2023, details of whose remuneration are set out above. The emoluments of the remaining four (2022: five) individuals for the year ended December 31, 2023 are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	5,819	6,088
Retirement benefit scheme contributions	162	182
	5,981	6,270

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

	2023	2022
HK\$1,000,001 to HK\$1,500,000	1	4
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$2,000,001 to HK\$2,500,000	1	–
	4	5

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 (2022: Nil). None of the directors and the chief executive has waived or agreed to waive any emoluments for the year (2022: Nil).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

15. (Loss)/Earnings Per Share

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

	2023 RMB'000	2022 RMB'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	(1,049,980)	414,771

	2023 '000	2022 '000
Number of shares:		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	3,795,404	3,795,404

The computation of diluted (loss)/earnings per share for the years ended December 31, 2023 and 2022 does not assume the conversion of the Company's convertible notes since their assumed conversion would result in a decrease in loss per share or an increase in earnings per share.

16. Dividend

During the year ended December 31, 2023, a final dividend of RMB0.022 per share in respect of the year ended December 31, 2022 (2022: no final dividend in respect of the year ended December 31, 2021) was proposed and paid for ordinary shareholders of the Company. The aggregate amount of the final dividend proposed and paid in the current year amounted to RMB83,499,000 (2022: nil) and was appropriated from the Company's share premium.

No dividend was proposed for ordinary shareholders of the Company in respect of the year ended December 31, 2023, nor has any dividend been proposed since the end of the reporting period.

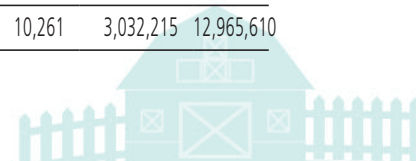


Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2022	7,458,743	12,907	1,834,486	335,162	159,810	39,127	2,341,116	12,181,351
Additions	13,937	279	364,977	93,926	25,048	5,490	3,141,930	3,645,587
Disposals	(3,447)	–	(23,184)	(7,739)	(3,089)	(6,464)	(67,458)	(111,381)
Transfer	2,127,185	–	240,007	440	2,397	–	(2,370,029)	–
Transferred to intangible assets (Note 21)	–	–	–	–	–	–	(13,344)	(13,344)
At December 31, 2022	9,596,418	13,186	2,416,286	421,789	184,166	38,153	3,032,215	15,702,213
Additions	59,092	166	737,855	95,337	32,743	–	2,243,684	3,168,877
Disposals	(37,094)	(123)	(22,754)	(13,643)	(12,788)	–	–	(86,402)
Transfer	3,231,060	–	174,821	1,267	6,516	–	(3,413,664)	–
Transferred to intangible assets (Note 21)	–	–	–	–	–	–	(4,025)	(4,025)
At December 31, 2023	12,849,476	13,229	3,306,208	504,750	210,637	38,153	1,858,210	18,780,663
ACCUMULATED DEPRECIATION:								
At January 1, 2022	1,245,710	1,778	584,154	96,318	68,165	26,747	–	2,022,872
Provided for the year	420,797	599	224,401	40,088	26,151	1,676	–	713,712
Disposals	(195)	–	(19,017)	(7,202)	(2,602)	(531)	–	(29,547)
At December 31, 2022	1,666,312	2,377	789,538	129,204	91,714	27,892	–	2,707,037
Provided for the year	557,832	747	297,874	49,439	6,465	1,831	–	914,188
Disposals	(17,533)	(4)	(17,467)	(12,576)	(10,459)	–	–	(58,039)
At December 31, 2023	2,206,611	3,120	1,069,945	166,067	87,720	29,723	–	3,563,186
ACCUMULATED IMPAIRMENT:								
At January 1, 2022	22,516	–	4,322	11	–	–	–	26,849
Provided for the year	3,422	–	100	–	–	–	–	3,522
Disposals	–	–	(805)	–	–	–	–	(805)
At December 31, 2022	25,938	–	3,617	11	–	–	–	29,566
Provided for the year	7,844	–	35	–	–	–	–	7,879
Disposals	(1,371)	–	(10)	–	–	–	–	(1,381)
At December 31, 2023	32,411	–	3,642	11	–	–	–	36,064
CARRYING AMOUNTS:								
At December 31, 2023	10,610,454	10,109	2,232,621	338,672	122,917	8,430	1,858,210	15,181,413
At December 31, 2022	7,904,168	10,809	1,623,131	292,574	92,452	10,261	3,032,215	12,965,610



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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, 2023, building ownership certificates in respect of certain buildings of the Group with an aggregate carrying amount of RMB79,073,000 (2022: RMB117,078,000) had not been issued by the relevant PRC authorities.

18. Investment Properties

	2023 RMB'000	2022 RMB'000
COST:		
At the beginning and the end of the year	54,296	54,296
ACCUMULATED DEPRECIATION:		
At the beginning of the year	25,663	23,734
Provided for the year	1,929	1,929
At the end of the year	27,592	25,663
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	4,818	4,818
Provided for the year	3,441	–
At the end of the year	8,259	4,818
CARRYING AMOUNTS:		
At the beginning of the year	23,815	25,744
At the end of the year	18,445	23,815



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

18. Investment Properties (continued)

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.

The fair value of the Group's investment properties at December 31, 2023 was RMB30,319,000 (2022: RMB32,251,000) which has been arrived at on the basis of a valuation carried out as at that date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), independent qualified professional valuer which is not connected to the Group.

The fair value was determined based on the cost approach, which values the investment properties with reference to their depreciated replacement cost as at the valuation date. There has been no change in the valuation techniques from prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of the Group's investment properties as at December 31, 2023 are grouped into Level 3 of fair value measurement.

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, 2022	2,053,396	108,425	24,764	2,186,585
Additions	400,161	6,658	34,379	441,198
Early termination of lease agreements	(649)	(6,015)	(42)	(6,706)
Depreciation provided for the year	(138,795)	(19,862)	(6,837)	(165,494)
Carrying amounts as at December 31, 2022	2,314,113	89,206	52,264	2,455,583
Additions	458,857	47,338	8,559	514,754
Early termination of lease agreements	(26,019)	–	–	(26,019)
Depreciation provided for the year	(164,068)	(28,047)	(7,653)	(199,768)
Sublease classified as a finance lease	(8,873)	–	–	(8,873)
Carrying amounts as at December 31, 2023	2,574,010	108,497	53,170	2,735,677



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

19. Right-of-Use Assets *(continued)*

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Expense relating to short-term leases*	21,194	27,890
Variable lease payments not included in the measurement of lease liabilities (Note)	8,834	8,418
Total cash outflow for leases	223,376	297,867

* 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 RMB1,822,701,000 (2022: RMB1,556,991,000) were recognised with related right-of-use assets with an aggregate carrying amount of RMB1,923,109,000 (2022: RMB1,600,373,000) as at December 31, 2023. 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.

20. Goodwill

	2023 RMB'000	2022 RMB'000
COST:		
At the beginning and the end of the year	792,980	792,980
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	—	—
Provided for the year	120,966	—
At the end of the year	120,966	—
CARRYING AMOUNT:		
At beginning of the year	792,980	792,980
At the end of the year	672,014	792,980

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

20. Goodwill (*continued*)

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 Saikexing Reproductive Biotechnology (Group) Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司) ("SKX", together with its subsidiaries, 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.

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 13% (2022: 13%). The cash flows beyond the five-year period are extrapolated using 2.5% growth rate per annum (2022: 2.5%). 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.

(i) SKX Group

During the year ended December 31, 2023, the financial performance of SKX Group is worse than expected, the management of the Group has consequently determined impairment of goodwill directly related to SKX Group amounting to RMB120,966,000 (2022: Nil). The impairment loss was recognised in profit or loss.

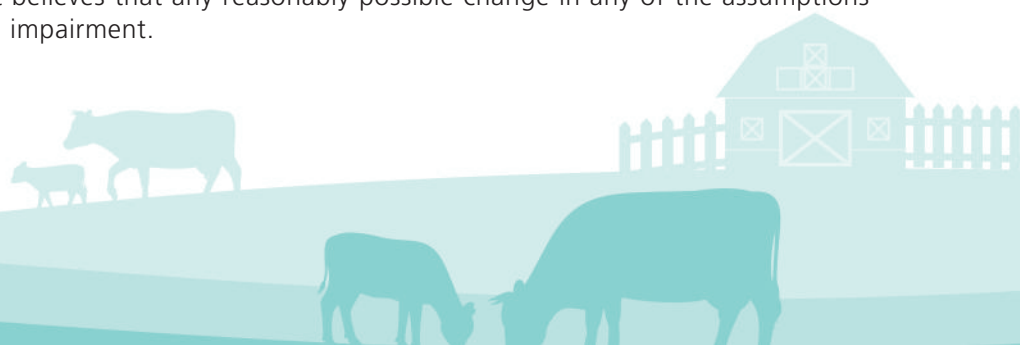
As at December 31, 2023, if the discount rate was changed to 12.72%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount and no impairment loss of goodwill will be recognised. If the growth rate beyond the five-year period was changed to 2.20%, while other parameters remain constant, the recoverable amount of SKX Group would be reduced to RMB3,399,417,000 and a further impairment loss of goodwill of RMB90,611,000 would be recognised.

As at December 31, 2022, the recoverable amount of SKX Group exceeds its carrying amount by RMB219,793,000. If the discount rate was changed to 13.23%, or the growth rate beyond the five-year period were reduced by 0.28%, 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, 2023 and 2022, 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

21. Intangible Assets

	Computer software RMB'000	Patents RMB'000	Total RMB'000
COST:			
At January 1, 2022	5,769	733	6,502
Additions	7,982	–	7,982
Transferred from property, plant and equipment (Note 17)	13,344	–	13,344
At December 31, 2022	27,095	733	27,828
Additions	402	–	402
Transferred from property, plant and equipment (Note 17)	4,025	–	4,025
At December 31, 2023	31,522	733	32,255
ACCUMULATED AMORTISATION:			
At January 1, 2022	1,881	343	2,224
Provided for the year	2,268	173	2,441
At December 31, 2022	4,149	516	4,665
Provided for the year	2,238	174	2,412
At December 31, 2023	6,387	690	7,077
CARRYING AMOUNTS:			
At December 31, 2023	25,135	43	25,178
At December 31, 2022	22,946	217	23,163

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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:

	31/12/2023 Heads	31/12/2022 Heads
Dairy cows:		
Calves and heifers	298,531	267,742
Milkable cows	284,208	231,709
Feeder cattle	60	1,434
Breeding stock		
Breeding bulls and others	101	86
Breeding goats	88	–
Dairy goats (before production of milk)	7,707	–
Total	590,695	500,971

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.

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 Group's dairy goats held at December 31, 2023 are dairy goats that have not had their first kids.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 of the Group's biological assets

	Year ended 31/12/2023	Year ended 31/12/2022
Volume of raw milk produced for sale (Ton)	2,945,840	2,328,512
Volume of breeding products produced for sale (Straw/unit)	1,368,707	1,230,050

C – Value of biological assets

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Dairy cows:		
Calves and heifers	6,051,392	5,931,614
Milkable cows	8,385,409	7,204,357
Feeder cattle	212	8,490
Breeding stock		
Breeding bulls and others	56,507	85,447
Breeding goats	1,379	–
Dairy goats (before production of milk)	111,211	–
Total	14,606,110	13,229,908
Less: current portion classified under current assets	(212)	(8,490)
Non-current portion classified under non-current assets	14,605,898	13,221,418



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 RMB'000	Dairy goats RMB'000	Total non-current assets RMB'000	Feeder cattle RMB'000
At January 1, 2022	3,675,802	6,660,982	71,595	–	–	10,408,379	7,701
Purchase cost	936,264	–	2,122	–	–	938,386	–
Feeding and other related costs	4,437,714	–	6,594	–	–	4,444,308	88,757
Transfer	(3,716,363)	3,716,363	–	–	–	–	–
Decrease due to disposal/death	(170,636)	(814,988)	(2,064)	–	–	(987,688)	(52,819)
Gain/(loss) arising from changes in fair value less costs to sell of biological assets	768,833	(2,358,000)	7,200	–	–	(1,581,967)	(35,149)
At December 31, 2022	5,931,614	7,204,357	85,447	–	–	13,221,418	8,490
Purchase cost	376,129	37,931	8,863	1,129	81,978	506,030	–
Feeding and other related costs	5,522,448	–	6,151	472	29,329	5,558,400	14,210
Transfer	(5,237,576)	5,237,793	–	–	–	217	(217)
Decrease due to disposal/death	(86,556)	(982,095)	(1,641)	(32)	(708)	(1,071,032)	(18,135)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(454,667)	(3,112,577)	(42,313)	(190)	612	(3,609,135)	(4,136)
At December 31, 2023	6,051,392	8,385,409	56,507	1,379	111,211	14,605,898	212

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 46.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

22. Biological Assets (continued)

C – Value of biological assets (continued)

The aggregate gain arising on initial recognition of agricultural produce (including raw milk, raw 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 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	3,275,246	3,131,809
Loss arising from changes in fair value less costs to sell of biological assets	(3,613,271)	(1,617,116)
	(338,025)	1,514,693

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:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Deferred tax assets	35,388	24,345
Deferred tax liabilities	(7,292)	(6,192)
	28,096	18,153

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	Total RMB'000
At January 1, 2022	13,274	1,339	3,138	(6,434)	–	–	–	11,317
Credited/(charged) to profit or loss	5,714	(174)	1,054	242	–	–	–	6,836
At December 31, 2022	18,988	1,165	4,192	(6,192)	–	–	–	18,153
(Charged)/credited to profit or loss	(9,304)	3,186	160	277	1,427	(1,377)	–	(5,631)
Credited to other comprehensive income	–	–	–	–	–	–	15,574	15,574
At December 31, 2023	9,684	4,351	4,352	(5,915)	1,427	(1,377)	15,574	28,096

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

23. Deferred Tax Assets/Liabilities (continued)

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, 2023 no deferred tax liability (2022: 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, 2023, 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 RMB6,473,089,000 (2022: RMB5,673,555,000).

24. Interests in Associates

	31/12/2023 RMB'000	31/12/2022 RMB'000
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(162,090)	(35,531)
Exchange adjustments	110,851	93,792
	1,047,147	1,156,647

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 activity
Wholesome Harvest Limited ("Wholesome") (Note i)	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken") (Note ii)	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

Notes:

- On March 2, 2022, the Company entered into a sale and purchase agreement with Ye Gu Investment Company Limited (the "Seller") and Mr. Zhang Jianshe, the sole shareholder of the Seller, pursuant to which the Company conditionally agreed to purchase, and the Seller conditionally agreed to sell approximately 27.16% of the total issued share capital in Wholesome, which wholly owns China Zhong Di Dairy Holdings Company Limited, at a total consideration of HK\$1,206,380,000 (equivalent to approximately RMB978,386,000). The transaction was completed on March 31, 2022. The directors of the Company consider that the Group is able to exercise significant influence over Wholesome and Wholesome is therefore accounted for as an associate of the Group.
- During the year ended December 31, 2022, the Group made capital contribution of RMB120,000,000 in the establishment of Jiangsu Nongken, over which the Group is able to exercise significant influence and Jiangsu Nongken is therefore accounted for as an associate of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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 IFRSs.

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

Wholesome:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	1,055,681	1,054,319
Non-current assets	4,260,637	4,315,517
Current liabilities	(2,694,913)	(2,300,254)
Non-current liabilities	(209,412)	(227,454)

	For the year ended December 31, 2023 RMB'000	From March 31, 2022 (date of acquisition) to December 31, 2022 RMB'000
Revenue	2,068,564	1,566,450
Loss for the year	(430,135)	(129,134)
Total comprehensive expense for the year	(430,135)	(129,134)

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Net assets of Wholesome	2,411,993	2,842,128
Proportion of the Group's ownership interest in Wholesome	27.16%	27.16%
The Group's share of net assets of Wholesome	655,097	771,922
Goodwill	171,392	171,392
Exchange difference	110,851	93,792
Carrying amount of the Group's interest in Wholesome	937,340	1,037,106



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

25. Equity Instruments at FVTOCI

	31/12/2023 RMB'000	31/12/2022 RMB'000
Unlisted equity investments in the PRC, at fair value	18,728	28,066

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 loss of RMB9,338,000 was recorded and charged to other comprehensive income (2022: RMB6,873,000).

26. Inventories

	31/12/2023 RMB'000	31/12/2022 RMB'000
Raw materials	4,277,546	4,440,375
Finished goods	159,809	225,568
Semi-finished goods	8,246	8,391
Breeding products	59,257	18,450
	4,504,858	4,692,784

27. Trade Receivables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Trade receivables	847,469	1,421,352
Less: Allowance for credit losses	(55,398)	(109,253)
	792,071	1,312,099

Trade receivables from related parties are set out in Note 47.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

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:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 90 days	728,026	1,093,213
90 days to 180 days	47,101	155,196
181 days to 1 year	14,674	63,690
Over 1 year	2,270	–
	792,071	1,312,099

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Not yet past due	719,885	994,772
Past due less than 30 days	27,709	118,809
Past due more than 30 days but less than 90 days	34,477	127,386
Past due more than 90 days	10,000	71,132
	792,071	1,312,099

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 45.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

28. Contract Assets

	31/12/2023 RMB'000	31/12/2022 RMB'000
Dairy farm equipment: Classified under current assets	2,278	7,116

As at January 1, 2022, contract assets amounted to RMB8,354,000.

29. Prepayments, Deposits and Other Receivables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Classified under current assets:		
Prepayments	298,682	695,531
Value-added tax recoverable	18,629	20,416
Deposits placed with brokers for commodity forward contracts	5,090	18,429
Rental receivables	9,379	8,333
Utility and other deposits	28,507	47,120
Compensation receivable	15,039	37,083
Advances to staff	1,022	1,308
Government grants receivables	–	27,338
Other receivables	12,356	8,566
	388,704	864,124
Less: Allowance for credit losses	(8,310)	(5,659)
	380,394	858,465
Classified under non-current assets:		
Pledged receivable (Note)	23,758	–
Finance lease receivables	5,259	–
Utility and other deposits	12,965	–
	41,982	–

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.

Details of impairment assessment of other receivables under IFRS 9 are set out in Note 45.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

30. Financial Assets at Fair Value Through Profit or Loss

	31/12/2023 RMB'000	31/12/2022 RMB'000
Negotiable certificate of deposits with certain banks, at fair value	–	1,919,338

During the years ended December 31, 2023 and 2022, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. The negotiable certificate of deposits carry fixed interest rate which range from 3.10% to 3.35% per annum.

The directors of the Company determine the deposits are mainly for the purpose of short-term fund management, which will be sold in the secondary market within one year, therefore the deposits are classified as current assets. The Group has disposed the negotiable certificate of deposits during the year ended December 31, 2023.

31. Bank Balances and Cash, Pledged and Restricted Bank Deposits

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.80% per annum as at December 31, 2023 (2022: 0.01% to 1.90%).

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Deposits pledged to banks to secure banking facilities granted to the Group:		
Bills payable	5,153	8,001
Bank loans	–	100
Restricted bank deposits (Note)	141,874	404,663
	147,027	412,764
Less: classified under current assets	(134,087)	(401,097)
Non-current portion	12,940	11,667

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 0.20% to 3.03% per annum as at December 31, 2023 (2022: 0.25% to 3.03% per annum).



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

32. Trade and Bills Payables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Trade payables	1,348,343	2,479,966
Bills payable	764,849	208,612
	2,113,192	2,688,578

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 1 year	1,314,807	2,401,247
1 to 2 years	15,605	47,475
2 to 3 years	2,306	8,052
More than 3 years	15,625	23,192
	1,348,343	2,479,966

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

33. Other Payables and Accruals

	31/12/2023 RMB'000	31/12/2022 RMB'000
Payables for purchase of property, plant and equipment	1,187,316	1,196,639
Salaries and welfare payables	288,566	259,919
Deposits received from suppliers	163,385	177,377
Service and professional fee payables	145,755	86,559
Freight charges payables	96,373	80,401
Storage fee payables	14,083	18,681
Non-income tax related tax payables	17,885	16,766
Sundry payables and accrued expenses	69,387	55,358
Accrued listing expenses	—	1,811
	1,982,750	1,893,511



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

34. Contract Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Receipts in advance from customers for:		
Sales of raw milk	13	124
Sales of feeds	14,090	14,910
Sales of ruminant farming products	4,685	13,957
Sales of breeding products	4,944	4,768
Sales of feeder cattle	7,499	8,136
	31,231	41,895

As at January 1, 2022, contract liabilities amounted to RMB41,090,000.

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Bank borrowings:		
Unsecured	24,823,071	18,838,786
Secured (Note (i))	1,213,390	1,560,901
Other borrowings (Note (ii))	223,127	159,369
	26,259,588	20,559,056
Fixed rate borrowing	7,364,111	5,558,570
Floating rate borrowing	18,895,477	15,000,486
	26,259,588	20,559,056
The carrying amounts of the above borrowings are repayable*:		
Within one year	16,433,086	13,827,675
More than one year but within two years	3,851,780	1,349,477
More than two years but within five years	4,147,876	3,892,704
More than five years	1,826,846	1,489,200
	26,259,588	20,559,056
Less: Amounts due within one year shown under current liabilities	(16,433,086)	(13,827,675)
Amounts shown under non-current liabilities	9,826,502	6,731,381

* The amounts due are based on scheduled repayment dates set out in the loan agreements.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

35. Bank and Other Borrowings (*continued*)

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

	31/12/2023 %	31/12/2022 %
Effective interest rates:		
Floating rate borrowing	1.95 to 6.80	1.71 to 5.77
Fixed rate borrowing	2.10 to 4.00	2.35 to 4.10

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 are secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group.
- (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.

36. Deferred Income

	2023 RMB'000	2022 RMB'000
Balance at beginning of the year	619,510	434,053
Government grants received	299,279	333,413
Released to other income (Note 8)	(190,578)	(145,875)
Others	—	(2,081)
Balance at end of the year	728,211	619,510

Deferred income arising from government grants of the Group 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 grant received for purchase of biological assets measured at fair value less costs to sell. The amount is recognised in profit or loss when the conditions attaching to the government grant are met.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

37. Lease Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Lease liabilities payable:		
Within one year	220,788	131,604
Within a period of more than one year but not more than two years	141,158	136,536
Within a period of more than two years but not more than five years	349,249	283,915
Within a period of more than five years	1,111,506	1,004,936
	1,822,701	1,556,991
Less: Amount due for settlement within 12 months shown under current liabilities	(220,788)	(131,604)
Amount due for settlement after 12 months shown under non-current liabilities	1,601,913	1,425,387

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, 2023, the weighted average incremental borrowing rate applied ranging from 2.93% to 5.25% (2022: 3.83% 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.

38. Other Liabilities

	31/12/2023 RMB'000	31/12/2022 RMB'000
Other liabilities	7,310	14,252
Less: Portion classified under current liabilities	(7,310)	(6,942)
Portion classified under non-current liabilities	–	7,310

Other liabilities represent purchase consideration for dairy cows to be settled by instalments in five years and bear interest at 5.3% per annum.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

39. Other Provisions

	31/12/2023 RMB'000	31/12/2022 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
	19,807	19,807
Classified under non-current liabilities:		
Provision for land rehabilitation	22,535	9,124
	42,342	28,931

40. Convertible Notes

In November 2020, several pre-IPO investors (the "Pre-IPO Investors") entered into subscription agreements with the Company in relation to issue of convertible notes with an original aggregate principal amount of USD460 million (equivalent to approximately RMB3,051 million). The convertible notes are subject to cash interest and pay-in-kind interest (the "PIK Interest") on the outstanding principal amount at the rate of 4% per annum and 6% per annum, respectively. The cash interest is payable on the last day of each quarter in arrears commencing on December 31, 2021. The PIK Interest shall capitalise and be added into the then outstanding principal amount, whereupon PIK Interest shall accrue on the then outstanding principal amount plus any capitalised amount of PIK Interest at the same rate. Accrued and capitalised PIK Interest on any portion of the principal amount that is converted into ordinary shares of the Company shall be waived upon the completion of such conversion.

The key terms of the convertible notes are summarised as follows:

(a) Conversion option

The Pre-IPO Investors shall have the right, but not the obligation, to convert the outstanding principal amount into such number of ordinary shares of the Company at any time subject to and in accordance with terms and conditions attached to the convertible notes. The initial conversion price upon issuance shall be USD0.44605 per ordinary share. The conversion price shall increase at a rate of 2% per annum, or 0.5% per quarter, on each interest payment date, commencing on the interest payment date immediately following the third anniversary of the issuance date.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. Convertible Notes *(continued)*

(b) Redemption on maturity

The convertible notes will be matured on the third anniversary of the issuance date and, at the sole discretion of the Pre-IPO Investors, may be extended to the fifth anniversary of the issuance date. Unless the entire principal amount of the convertible notes have been redeemed or converted earlier in accordance with the terms thereof, the Company shall redeem the entire outstanding principal amount of the convertible notes in full together with accrued interest. The Pre-IPO Investors may at any time after the occurrence of an event of default as stipulated in the convertible notes instruments require the Company to redeem the outstanding principal amount of the convertible notes or any portion thereof at the redemption price as defined in the convertible notes instruments.

(c) Early redemption

Upon the expiration of the fifteenth month of the issuance date, the Pre-IPO Investors has an one-off right to require the Company to redeem all outstanding principal amounts of this convertible notes (including the outstanding principal amount plus total accrued interest calculated at 10% per annum (cash interest and PIK Interest) on the principal), or any portion thereof.

The early redemption right of the convertible notes was expired in February 2022. On November 28, 2022 and June 2, 2023, the Company and certain of the Pre-IPO Investors, entered into the supplemental letter agreements, respectively, to amend certain terms and conditions of the convertible notes. Pursuant to the supplemental letter agreements, the Company has the right to redeem partial outstanding convertible note before the maturity date. The redemption price paid by the Company was determined with reference to the principal amount of the relevant convertible notes to be redeemed, together with the applicable interest accrued thereon up to the date of the redemption. The interest applicable to the redemption is the same as provided for in the existing convertible notes, which comprises the cash interest of 4% per annum and the PIK Interest of 6% per annum. Other terms and conditions of the convertible notes remain unchanged and valid, and the remaining convertible notes will continue to be held by the respective noteholders. The Company redeemed the convertible notes in the principal amounts of USD286 million in November 2022, and further redeemed the convertible notes in the principal amounts of USD75 million in June 2023.

On May 17, 2023, the conversion price was adjusted from US\$0.44505 to US\$0.44290 per share as a result of the payment of the final dividend in respect of the year ended December 31, 2022. The details were published in the Company's announcement dated May 17, 2023.

On November 3, 2023, the convertible notes were matured, and the Company redeemed the remaining convertible notes in the principal amounts of USD99 million.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

40. Convertible Notes (continued)

(c) Early redemption (continued)

	Liability component at amortised cost RMB'000	Convertible notes equity reserve RMB'000	Total RMB'000
At January 1, 2022	2,407,292	963,384	3,370,676
Cash interest paid	(104,468)	–	(104,468)
Partial redemption	(1,898,954)	(286,303)	(2,185,257)
Gain on partial redemption	(901)	–	(901)
Effective interest expense charged for the year	628,269	–	628,269
Exchange differences	174,962	–	174,962
At January 1, 2023	1,206,200	677,081	1,883,281
Cash interest paid	(26,099)	–	(26,099)
Partial redemption/maturity	(1,412,309)	(37,974)	(1,450,283)
Loss on partial redemption	918	–	918
Effective interest expense charged for the year	216,347	–	216,347
Exchange differences	14,943	–	14,943
Transfer to capital reserves	–	(639,107)	(639,107)
At December 31, 2023	–	–	–

41. Share Capital

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB '000
Authorised:			
At January 1, 2022, December 31, 2022 and 2023	10,000,000,000	100,000	691
Issued and fully paid:			
At January 1, 2022, December 31, 2022 and 2023	3,795,404,000	37,954	251



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

42. 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, 2023 and 2022, 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, 2023 and 2022 under such scheme which may be used by the Group to reduce the contribution payable in future years.

43. Pledge of Assets

Certain of the Group's bank borrowings and bills payable had been secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group and certain assets with carrying amounts as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Pledged bank deposits (Note 31)	5,153	8,101
	5,153	8,101

44. Categories of Financial Instruments

	31/12/2023 RMB'000	31/12/2022 RMB'000
Financial assets		
Financial assets at amortised cost	6,616,275	4,202,145
Equity instruments at FVTOCI	18,728	28,066
Debt instruments at FVTOCI	4,323	–
Financial assets at FVTPL	–	1,919,338
Financial liabilities		
Financial liabilities at amortised cost	30,135,666	26,132,250



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. 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, 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, bank and other borrowings, debt component of convertible notes and other liabilities. Details of these financial instruments 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.

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:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Liabilities:		
Intra-group balances of the Company denominated in RMB	44,490	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. 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, fixed-rate pledged and restricted bank deposits, fixed-rate bank borrowings (Note 35), lease liabilities (Note 37), debt component of convertible notes (Note 40) and other liabilities (Note 38). 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 47) 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 potential effect on post-tax (loss)/profit of the Group is as follows:

	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Post-tax loss would increase/decrease by/ post-tax profit would decrease/increase by	94,229	74,784



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. 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 47). 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 receivables from a related party of RMB1,091,975,000 as at December 31, 2023 (2022: RMB914,047,000), 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, 2023

45. 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 and deposits placed with a related party

The credit risk on bank balances, pledged and restricted bank 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, 2023

45. 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				2023 RMB'000	2022 RMB'000
<i>Financial assets at amortised cost</i>					
Trade receivables (Note)	27	Low risk	Lifetime ECL (provision matrix)	742,430	1,235,880
		Loss	Credit-impaired (assessed individually)	105,039	185,472
				847,469	1,421,352
Deposits and other receivables	29	Low risk	12-month ECL	89,004	107,479
		Loss	Credit-impaired	8,310	5,659
				97,314	113,138
Amounts due from related parties-trade in nature	47	Low risk	Lifetime ECL (assessed individually)	1,099,751	917,518
Amounts due from related parties-non-trade in nature	47	Low risk	12-month ECL	81	32
Pledged and restricted bank deposits	31	Low risk	12-month ECL	147,027	412,764
Bank balances	31	Low risk	12-month ECL	3,935,982	936,358
Deposits placed with a related party	47	Low risk	12-month ECL	552,359	515,895
<i>Debt instruments at FVTOCI</i>					
Bills receivable		Low risk	12-month ECL	4,323	–
<i>Other item</i>					
Contract assets (Note)	28	Low risk	Lifetime ECL (provision matrix)	2,278	7,116

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, 2023

45. 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.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Within 90 days	691,569	1,073,280
90 days to 1 year	50,861	162,600
Total	742,430	1,235,880

The average loss rate as at December 31, 2023 is ranging from 1.81% to 8.75% (2022: 2.08% to 12.60%) 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, 2022	14,503	61,453	75,956
Changes for trade receivables recognised as at January 1, 2022:			
Impairment loss recognised	–	24,861	24,861
Impairment loss reversed	(10,838)	(32,887)	(43,725)
Write-offs	–	(153)	(153)
Transfer	(1,648)	1,648	–
New trade receivables originated	22,354	29,960	52,314
As at December 31, 2022	24,371	84,882	109,253
Changes for trade receivables recognised as at January 1, 2023:			
Impairment loss recognised	–	30,161	30,161
Impairment loss reversed	(23,092)	(20,924)	(44,016)
Write-offs	–	(57,826)	(57,826)
Transfer	(1,279)	1,279	–
New trade receivables originated	13,476	4,350	17,826
As at December 31, 2023	13,476	41,922	55,398



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. Financial Risk Management Objectives and Policies (*continued*)

Credit risk and impairment assessment (*continued*)

During the year ended December 31, 2023, the Group reversed RMB9,616,000 (2022: provided RMB11,516,000) impairment allowance for trade receivables based on the provision matrix. Additional impairment allowance of RMB13,587,000 (2022: RMB21,934,000) were assessed individually and provided on credit-impaired debtors for the year ended December 31, 2023.

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, 2022	6,381
Changes for other receivables recognised as at January 1, 2022:	
Impairment loss recognised	814
Impairment loss reversed	(1,525)
Write-offs	(11)
As at December 31, 2022	5,659
Changes for other receivables recognised as at January 1, 2023:	
Impairment loss recognised	3,413
Impairment loss reversed	(755)
Write-offs	(7)
As at December 31, 2023	8,310

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, 2023

45. 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 convertible notes and ensures compliance with covenants.

The Group had net current liabilities of RMB9,508,171,000 as at December 31, 2023, 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, 2023 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, 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, 2023. 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 and renewal of certain bank borrowings. 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

45. 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 %	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
<i>As at December 31, 2023</i>							
Trade and bills payables	–	2,113,192	–	–	–	2,113,192	2,113,192
Other payables and accruals	–	1,676,299	–	–	–	1,676,299	1,676,299
Amounts due to related parties	–	79,277	–	–	–	79,277	79,277
Bank and other borrowings:							
Fixed-rate	2.10-4.00	6,360,075	323,035	634,794	206,914	7,524,818	7,364,111
Variable-rate	1.95-6.80	10,701,789	3,747,878	3,783,681	1,671,903	19,905,251	18,895,477
Lease liabilities	2.93-5.25	227,525	151,658	425,702	2,245,171	3,050,056	1,822,701
Other liabilities	5.30	7,500	–	–	–	7,500	7,310
		21,165,657	4,222,571	4,844,177	4,123,988	34,356,393	31,958,367
<i>As at December 31, 2022</i>							
Trade and bills payables	–	2,688,578	–	–	–	2,688,578	2,688,578
Other payables and accruals	–	1,616,826	–	–	–	1,616,826	1,616,826
Amounts due to related parties	–	47,338	–	–	–	47,338	47,338
Bank and other borrowings:							
Fixed-rate	2.35-4.10	3,984,295	501,852	1,005,444	313,077	5,804,668	5,558,570
Variable-rate	1.71-5.77	10,307,262	1,037,484	3,169,785	1,284,366	15,798,897	15,000,486
Lease liabilities	3.83-5.25	137,906	150,016	343,356	2,048,342	2,679,620	1,556,991
Convertible notes	10	1,482,905	–	–	–	1,482,905	1,206,200
Other liabilities	5.30	7,500	7,500	–	–	15,000	14,252
		20,272,610	1,696,852	4,518,585	3,645,785	30,133,832	27,689,241

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, 2023

46. 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. Where Level 1 inputs are not available, 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.

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.

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
Assets				
Biological assets:				
Calves and heifers (Note (a))	—	—	6,051,392	6,051,392
Milkable cows (Note (b))	—	—	8,385,409	8,385,409
Feeder cattle (Note (c))	—	—	212	212
Breeding bulls and others (Note (d))	—	—	56,507	56,507
Dairy goats (before production of milk) (Note (e))	—	—	111,211	111,211
Breeding goats (Note (f))	—	—	1,379	1,379
Debt instruments at FVTOCI (Note (g))	—	4,323	—	4,323
Equity instruments at FVTOCI (Note (h))	—	—	18,728	18,728
	—	4,323	14,624,838	14,629,161

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2022				
Assets				
Biological assets:				
Calves and heifers (Note (a))	—	—	5,931,614	5,931,614
Milkable cows (Note (b))	—	—	7,204,357	7,204,357
Feeder cattle (Note (c))	—	—	8,490	8,490
Breeding bulls and others (Note (d))	—	—	85,447	85,447
Equity instruments at FVTOCI (Note (h))	—	—	28,066	28,066
Financial assets at FVTPL (Note (i))	—	1,919,338	—	1,919,338
	—	1,919,338	13,257,974	15,177,312

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

46. 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 RMB23,300 to RMB24,700 per head as at December 31, 2023 (2022: RMB24,100 to RMB25,620). 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 RMB20,835 to RMB22,441 as at December 31, 2023 (2022: RMB19,528 to RMB23,087). 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 RMB15,337 to RMB17,512 as at December 31, 2023 (2022: RMB13,611 to RMB16,862).	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, 2023

46. 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 RMB2.36 to RMB3.21 as at December 31, 2023 (2022: RMB2.59 to RMB3.32), 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 17.03 kg to 35.28 kg as at December 31, 2023 (2022: 17.80 kg to 33.55 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 RMB4,020 to RMB6,280 per tonne as at December 31, 2023 (2022: RMB4,310 to RMB5,980 per tonne), taking into account management's experience and knowledge of market conditions. Discount rate for estimated future cash flows used is 13% as at December 31, 2023 (2022: 13%), 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, 2023

46. 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 – Feeder cattle	Feeder cattle mainly include calves for sale. The fair value of 15 days calf is determined by reference to the local market selling price. The fair value of calves is determined by reference to the local market selling price of 15 days calves and the estimated feeding costs required to raise the cows from their respective age at the end of the reporting period.	Estimated local market selling prices of the 15 days calf are RMB3,068 per head as at December 31, 2023 (2022: RMB1,998 per head). Estimated feeding costs per head daily for calves are RMB26.77 as at December 31, 2023 (2022: RMB22.17).	An increase in the estimated local market selling prices of calf used would result in an increase in the fair value measurement of calves, and vice versa. An increase in the estimated feeding costs would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of calves older/younger than 15 days old, and vice versa.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

46. 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 – Breeding bulls and others	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 RMB51 as at December 31, 2023 (2022: RMB53 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 RMB117 per straw as at December 31, 2023 (2022: RMB112 per straw). Estimated local future market prices for conventional frozen bovine semen are RMB19 per straw as at December 31, 2023 (2022: RMB15 per straw). Discount rate for estimated future cash flow used is 13% as at December 31, 2023 (2022: 13%) 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 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, 2023

46. 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)	Biological assets – Dairy goats (before production of milk)	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 older than 8 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.	Estimated market selling prices of the dairy goats of 8 months old are RMB10,802 per head as at December 31, 2023 (2022: N/A). 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 RMB5,701 as at December 31, 2023 (2022: N/A). Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats older than 8 months old are RMB3,754 as at December 31, 2023 (2022: N/A).	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

46. 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
(f)	Biological assets – Breeding goats	The fair value of 13 months old breeding goats is determined by reference to the market selling price. The fair values of breeding goats older than 13 months are determined by adding the estimated feeding costs required to raise the dairy goats from 13 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 market selling prices of the breeding goats of 13 months old are RMB12,546 per head at December 31, 2023 (2022: N/A). Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats of 13 months are RMB3,124 as at December 31, 2023 (2022: N/A).	An increase in the estimated local market selling price used would result in an increase in the fair value measurement of breeding 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 a increase in the fair value measurement of breeding goats older 13 months, and vice versa.
(g)	Debt instruments at FVTOCI: Bills receivable	Discounted 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

For the year ended December 31, 2023

46. 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
(h)	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 RMB119,000 as at December 31, 2023 (December 31, 2022: RMB253,000), vice versa.
(i)	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

For the year ended December 31, 2023

46. 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, 2022	24,812
Purchases	10,127
Fair value changes during the year	(6,873)
At December 31, 2022	28,066
Fair value changes during the year	(9,338)
At December 31, 2023	18,728

The fair value changes for equity instruments at FVTOCI during the year ended December 31, 2023 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

47. 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 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sales of raw milk to Yili Group	(a)	12,447,239	10,485,086
Sales of feeds to Yili Group	(a)	171,542	119,506
Sales of ruminant farming products to Yili Group	(a)	449	422
Sales of breeding products to Yili Group	(a)	14,063	12,754
Purchase of raw materials from Yili Group	(a)	38,955	52,506
Purchase of shared financial services from Yili Group	(b)	11,149	11,188
Purchase of other service and materials from Yili Group		9,688	3,385
Other service to Yili Group	(a)	4,294	6,445
Interest income from Yili Group	(f)	6,026	6,670

Transactions with Jiangsu Nongken

	Note	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Sales of feeds to Jiangsu Nongken	(a)	34,725	9,352
Sales of breeding products to Jiangsu Nongken	(a)	880	243
Sales of ruminant farming products to Jiangsu Nongken	(a)	276	—
Other service to Jiangsu Nongken	(a)	192	119



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

47. Related Party Transactions (*continued*)

Balances with Yili Group

	Notes	31/12/2023 RMB'000	31/12/2022 RMB'000
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,091,975	914,047
Prepayments to Yili Group		13	18
		1,091,988	914,065
Amounts due to related parties:			
Trade payables to Yili Group	(d)	8,969	15,107
Trade and other payables under supplier finance arrangements to Yili Group	(e)	70,308	32,231
Deposits placed with Yili Finance Company Limited	(f)	552,359	515,895

Balances with Jiangsu Nongken

	Note	31/12/2023 RMB'000	31/12/2022 RMB'000
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	7,776	3,471
Other receivables from Jiangsu Nongken		81	32
		7,857	3,503

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, 2023, 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 raw materials from Yili Group, which aged within one year at the end of the reporting period.
- (e) Certain suppliers can choose to be paid a discounted amount by certain financial institutions of Yili Group earlier than the due date. As initiated by the suppliers, the Group, Yili Group and the suppliers entered into supplier finance arrangements. Pursuant to the agreements, the Group's obligations to suppliers are legally extinguished and will pay to Yili Group to settle the debts 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

47. Related Party Transactions (*continued*)

Settlement arrangements with Yili Group

	Note	Year ended 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(g)	925,342	520,083

Notes:

- (g) 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 31/12/2023 RMB'000	Year ended 31/12/2022 RMB'000
Salaries and allowances	14,485	10,936
Retirement benefit scheme contributions	403	371
	14,888	11,307



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

48. 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.

	Accrued issue costs RMB'000	Lease liabilities RMB'000 (Note 37)	Bank and other borrowings RMB'000 (Note 35)	Other liabilities RMB'000 (Note 38)	Convertible notes RMB'000 (Note 40)	Total RMB'000
At January 1, 2022	6,949	1,317,399	9,456,114	20,845	2,407,292	13,208,599
Financing cash flows	–	(204,970)	10,554,038	(7,500)	(2,003,422)	8,338,146
New leases entered	–	383,399	–	–	–	383,399
Finance costs	–	68,542	435,914	907	628,269	1,133,632
Gain on partial redemption	–	–	–	–	(901)	(901)
Early termination of lease agreements	–	(7,379)	–	–	–	(7,379)
Effect of foreign exchange rate changes	(164)	–	112,990	–	174,962	287,788
Others	(6,785)	–	–	–	–	(6,785)
At December 31, 2022	–	1,556,991	20,559,056	14,252	1,206,200	23,336,499
Financing cash flows	–	(183,088)	4,783,310	(7,500)	(1,438,408)	3,154,314
New leases entered	–	400,989	–	–	–	400,989
Finance costs	–	75,282	850,078	558	216,347	1,142,265
Loss on partial redemption	–	–	–	–	918	918
Early termination of lease agreements	–	(27,473)	–	–	–	(27,473)
Effect of foreign exchange rate changes	–	–	67,144	–	14,943	82,087
At December 31, 2023	–	1,822,701	26,259,588	7,310	–	28,089,599

Major non-cash transactions

Lease liabilities for leasehold lands, properties, machinery and equipment with a total amount of RMB400,989,000 (2022: RMB383,399,000) were recognised and the corresponding amount of RMB400,989,000 (2022: RMB383,399,000) were recognised as right-of-use assets during the year ended December 31, 2023.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

49. 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 and convertible notes as disclosed in Notes 35 and 40, 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.

50. Capital Commitments

At the end of the reporting period, the Group had the following capital commitments:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment, and purchase of biological assets:		
Contracted but not provided for	1,617,469	2,997,521

51. Contingent Liabilities

Apart from ongoing litigation for which provision has been made (Note 39), 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, 2023

52. 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
				2023 %	2022 %	
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
American Western Prataculture Corp. (美國西部草業有限公司)	Delaware, United States of America	United States of America	–	100	100	Inactive



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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
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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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
杜爾伯特蒙古族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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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
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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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
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
邢台優然牧業有限責任公司 (Xingtai Youran Dairy Co. Ltd. *)	PRC	PRC	RMB3,900,000/ RMB68,000,000	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 Biotechnology Co. Ltd. *)	PRC	PRC	RMB50,000,000	100	100	Raising and breeding dairy cows, and raw milk production
延安洛川優然牧業有限責任公司 (Yan'an 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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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
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	RMB125,000,000	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	RMB125,000,000	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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
寒亭優然牧業有限責任公司 (Hanting YouRan Diary Co., Ltd.*)	PRC	PRC	RMB150,000,000	100	100	Raising and breeding dairy cows and raw milk production
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
昆明優然牧業有限責任公司 (Kunming YouRan Diary Co., Ltd.*)	PRC	PRC	~RMB60,000,000	100	100	Raising and breeding dairy cows and raw milk production
忻州優然牧業有限責任公司 (Xinzhou YouRan Diary Co., Ltd.*)	PRC	PRC	~RMB125,000,000	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	RMB25,000,000/ 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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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	-	Sales of fodder
內蒙古敕勒川旅遊文化有限公司 (Inner Mongolia Chilechuan Tourism and Culture Co., Ltd.*)	PRC	PRC	RMB500,000	100	-	Tourism and cultural services
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	-	Raising and breeding dairy
SKX	PRC	PRC	RMB918,600,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production, and production and sale of breeding products
內蒙古犏騰牧業有限公司 (Inner Mongolia Best Holsteins Co., Ltd*)	PRC	PRC	RMB560,000,000	58.36	58.36	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 Limited*)	PRC	PRC	RMB88,000,000	58.36	58.36	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	RMB74,200,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
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	58.36	58.36	Raising and breeding dairy cows, and raw milk production
滄州賽科星牧業有限公司 (Cangzhou SK Xing Dairy Limited*) ("Cangzhou SKX")	PRC	PRC	RMB40,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
定州市賽科星伊人牧業有限公司 (Dingzhou SK Xing Yiren Dairy Limited*) ("Dingzhou SKX")	PRC	PRC	RMB41,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
鄂托克旗賽優牧業有限公司 (Etuokeqi Saiyou Dairy Limited*) ("Etuokeqi Saiyou")	PRC	PRC	RMB45,000,000	58.36	58.36	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	58.36	58.36	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	58.36	58.36	Raising and breeding dairy cows, and raw milk production
河北犇放牧業有限公司 (Hebei Benfang Dairy Limited*)	PRC	PRC	RMB240,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
達拉特旗賽優牧業有限公司 (Dalateqi Saiyou Dairy Limited*) ("Dalateqi Saiyou")	PRC	PRC	RMB100,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
武強賽優牧業有限公司 (Wuqiang Saiyou Dairy Limited*)	PRC	PRC	RMB51,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
華夏畜牧興化有限公司 (Huaxia Livestock Xinghua Limited*) ("Huaxia Xinghua")	PRC	PRC	RMB462,457,540	58.36	58.36	Raising and breeding dairy cows, and raw milk production
濟源市賽科星牧業有限公司 (Jiyuan SK Xing Dairy Limited*) ("Jiyuan SKX")	PRC	PRC	RMB66,000,000	58.36	58.36	Raising and breeding dairy cows, and raw milk production
尋甸賽優牧業有限公司 (Xundian Saiyou Dairy Limited*) ("Xundian Saiyou")	PRC	PRC	RMB80,000,000	58.36	58.36	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 Biotechnology Research Institute Co. Ltd. *)	PRC	PRC	RMB100,000,000	58.36	58.36	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	58.36	58.36	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	58.36	58.36	Raising and breeding dairy cows, and raw milk production



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. 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
				2023 %	2022 %	
清水河賽科星牧業有限責任公司 (Qingshuihe SK Xing Dairy Co. Ltd.*)	PRC	PRC	RMB40,000,000	58.36	58.36	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	58.36	58.36	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 Saikexing Beef Cattle Breeding Co., Ltd.*)	PRC	PRC	-/RMB7,000,000	58.36	58.36	Raising and breeding livestock, and cloning technology development

* 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, 2023 (2022: 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	
		31/12/2023	31/12/2022	31/12/2023 RMB'000	31/12/2022 RMB'000	31/12/2023 RMB'000	31/12/2022 RMB'000
SKX Group	The PRC	41.64%	41.64%	(402,912)	(8,785)	1,267,977	1,687,383

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

52. Particulars of Subsidiaries of the Company (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

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 intragroup eliminations.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	1,839,289	1,893,160
Non-current assets	7,125,042	7,650,807
Current liabilities	(3,983,848)	(4,779,996)
Non-current liabilities	(1,938,480)	(803,151)
Net assets	3,042,003	3,960,820
Equity attributable to owners of the Company	1,774,026	2,273,437
Non-controlling interests of SKX Group	1,267,443	1,686,820
Non-controlling interests of SKX's subsidiary	534	563
	3,042,003	3,960,820

	For the year ended December 31, 2023 RMB'000	For the year ended December 31, 2022 RMB'000
Revenue	3,624,896	3,569,949
Expenses	(4,504,102)	(3,591,038)
Loss for the year	(879,206)	(21,089)
Other comprehensive income/(expense)	6,319	(6,800)
Total comprehensive expense for the year	(872,887)	(27,889)
Loss for the year attributable to:		
Owners of the Company	(476,294)	(12,304)
Non-controlling interests of SKX Group	(402,912)	(8,785)
	(879,206)	(21,089)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(472,606)	(16,272)
Non-controlling interests of SKX Group	(400,281)	(11,617)
	(872,887)	(27,889)
Net cash inflows/(outflows) from:		
Operating activities	1,020,972	803,523
Investing activities	(1,023,662)	(1,399,163)
Financing activities	103,278	589,457
	100,588	(6,183)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. Statement of Financial Position and Reserves of the Company

	31/12/2023 RMB'000	31/12/2022 RMB'000
Non-current assets		
Interests in a subsidiary	10,921,726	10,739,613
Interests in an associate	937,340	1,037,106
	11,859,066	11,776,719
Current assets		
Amounts due from a subsidiary	4,390	2,076
Prepayments, deposits and other receivables	–	21,892
Bank balances and cash	2,582	29,674
	6,972	53,642
Current liabilities		
Amounts due to a subsidiary	44,490	44,490
Other payables and accruals	1,617	5,560
Bank borrowings	5,258,807	3,393,832
Convertible notes	–	1,206,200
	5,304,914	4,650,082
Net current liabilities	(5,297,942)	(4,596,440)
Net assets	6,561,124	7,180,279
Capital and reserves		
Share capital	251	251
Reserves	6,560,873	7,180,028
Total equity	6,561,124	7,180,279



Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

53. Statement of Financial Position and Reserves of the Company (continued)

Reserves of the Company

	Share premium RMB'000	Convertible notes equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At January 1, 2022	7,342,303	963,384	(181,327)	(615,130)	–	7,509,230
Profit/(loss) and total comprehensive income/(expense) for the year	–	–	659,745	(709,429)	–	(49,684)
Partial redemption of convertible notes (Note 40)	–	(286,303)	–	–	–	(286,303)
Others	6,785	–	–	–	–	6,785
At December 31, 2022	7,349,088	677,081	478,418	(1,324,559)	–	7,180,028
Profit/(loss) and total comprehensive income/(expense) for the year	–	–	116,911	(614,593)	–	(497,682)
Partial redemption/maturity of convertible notes (Note 40)	–	(677,081)	–	–	639,107	(37,974)
Dividends paid to owners of the Company	(83,499)	–	–	–	–	(83,499)
At December 31, 2023	7,265,589	–	595,329	(1,939,152)	639,107	6,560,873

54. Events After the Reporting Period

Save as disclosed elsewhere in this report, events and transactions took place subsequent to December 31, 2023 are detailed as below:

On February 19, 2024, the Company and its subsidiary, Inner Mongolia Youran entered into the agreements with China Genetics Holdings, Ltd. ("China Genetics") and its subsidiary, Huaxia Genetics Dairy Xinghua Co. Ltd. ("Huaxia Genetics"). Pursuant to the agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 subscription shares at the subscription price of RMB1.45 per share to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase an aggregate of 78,100,000 issued shares of SKX from Huaxia Genetics, representing approximately 8.50% of the total issued shares of SKX.

The Company will indirectly hold 66.86% of the total issued shares of SKX upon completion of the above share transfer. The above transaction has been published in the Company's announcement dated February 19, 2024.



Five-Year Financial Summary

	Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	18,693,896	18,050,761	15,346,167	11,781,195	7,667,818
Cost of sales	(17,499,357)	(16,958,848)	(14,333,273)	(11,048,726)	(7,014,226)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	3,275,246	3,131,809	3,681,585	2,870,723	1,232,668
Gross profit	4,469,785	4,223,722	4,694,479	3,603,192	1,886,260
Loss arising from changes in fair value less costs to sell of biological assets	(3,613,271)	(1,617,116)	(407,440)	(413,784)	(133,255)
Other income	453,821	362,890	151,974	76,979	55,396
Impairment loss under expected credit loss model, net of reversal	(6,629)	(32,739)	(12,438)	(45,083)	(24,761)
Impairment loss recognised for goodwill	(120,966)	–	–	–	–
Other gains and losses	135,551	47,999	(52,618)	(54,273)	(16,046)
Fair value loss on convertible notes	–	–	(132,910)	(10,769)	–
Selling and distribution expenses	(619,566)	(590,016)	(556,699)	(453,116)	(340,687)
Administrative expenses	(778,154)	(721,535)	(835,399)	(744,516)	(445,453)
Other expenses	(70,383)	(64,923)	(3,348)	(20,030)	(26,528)
Listing expenses	–	–	(17,848)	(34,365)	–
Share of loss of an associate	(126,559)	(35,531)	–	–	–
Share of (loss)/profit of a joint venture	(541)	4	23	25	–
Finance costs	(1,082,592)	(1,097,485)	(732,443)	(309,825)	(104,071)
(Loss)/profit before tax	(1,359,504)	475,270	2,095,333	1,594,435	850,855
Income tax expense	(93,388)	(69,284)	(74,117)	(53,805)	(48,973)
(Loss)/profit for the year	(1,452,892)	405,986	2,021,216	1,540,630	801,882
(Loss)/profit attributable to:					
Owners of the Company	(1,049,980)	414,771	1,558,016	1,340,735	801,882
Non-controlling interests	(402,912)	(8,785)	463,200	199,895	–
	(1,452,892)	405,986	2,021,216	1,540,630	801,882

	Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	46,199,728	43,446,317	31,961,639	22,200,943	9,946,574
Total liabilities	33,101,033	28,695,188	17,081,728	13,139,407	4,556,755
Total equity	13,098,695	14,751,129	14,879,911	9,061,536	5,389,819
Attributable to:					
Owners of the Company	11,830,718	13,063,746	13,180,911	7,820,208	5,389,819
Non-controlling interests	1,267,977	1,687,383	1,699,000	1,241,328	–



Definitions

"associate(s)"	has the meaning ascribed to it 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 with effect from May 27, 2022, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on May 20, 2024
"AI"	artificial intelligence
"Audit Committee"	the audit committee of the Company
"Auditor"	Deloitte Touche Tohmatsu
"Board" or "Board of Directors"	the board of directors of our Company
"Bright Dairy"	a group of companies comprising Shanghai Bright Dairy & Food Co., Ltd., a company incorporated in the PRC, and its subsidiaries, as a group, as one of our customers
"National Administration of Financial Regulation"	a comprehensive financial regulatory agency directly under the State Council, which is responsible for the supervision and management of banking, insurance, securities, funds, Internet finance and other fields
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 (formerly Appendix 14) to the Listing Rules (as amended from time to time)
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, 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 to it under the Listing Rules
"connected transactions"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Dairy Products Purchase Framework Agreement"	the dairy products purchase framework agreement dated May 17, 2021 entered into between the Company and Yili
"Director(s)"	the director(s) of our Company

Definitions

"Financial Services Framework Agreement"	the financial services framework agreement entered into between the Company and Yili Finance Company on September 28, 2021
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
"Group", "our Group", "the Group", "we", "us", "our" or "Youran Dairy"	the Company and its subsidiaries from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars", "HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"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 wholly-owned subsidiary of the Company
"Junlebao Dairy"	a group of companies comprising Shijiazhuang Junlebao Dairy Co., Ltd., a company incorporated in the PRC, and its subsidiaries, as a group, as one of our customers
"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 18, 2024, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	June 18, 2021, the date on which the Shares were listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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



Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 (formerly Appendix 10) to the Listing Rules
"Period of 2021"	for the year ended December 31, 2021
"Period of 2022"	for the year ended December 31, 2022
"Purchase and Sale Framework Agreement"	the products and services purchase and sale framework agreement regarding comprehensive ruminant farming solutions entered by the Company and YouYuan Farm on November 28, 2022
"Nomination Committee"	the nomination committee of the Company
"Prospectus"	the prospectus of the Company dated June 7, 2021
"Raw Milk Purchase and Sale Framework Agreement"	the raw milk purchase and sale framework agreement dated May 17, 2021 entered into between the Company and Yili
"Remuneration Committee"	the remuneration committee of the Company
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Reporting Period"	the year ended December 31, 2023
"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 our subsidiary since January 8, 2020
"SOP"	Standard Operation Procedure
"Stock Exchange"	The Stock Exchange of Hong Kong Limited



Definitions

"subsidiary" or "subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"TPM"	Total Productive Maintenance
"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
"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 one of the Company's controlling shareholders
"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
"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 a wholly-owned subsidiary of Yili and as to 27.16% by the Company indirectly
"%"	per cent





優然牧業
YOURAN DAIRY

China Youran Dairy Group Limited
中國優然牧業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 9858

ANNUAL REPORT 2024



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, 2024, the Group operated 97 dairy farms, 15 feed mills, 16 forage grass plantation bases, 5 world-leading key breeding bases and an online dairy industry chain platform *Jumuc.com*, with a herd size of dairy cows of 621,568 heads and dairy goats of 19,164 heads. For the year ended December 31, 2024, the Group's production of premium raw milk and specialty raw milk was 3,747,448 tons, with the specialty raw milk now including the new production and sales of goat milk in addition to Jersey milk, DHA milk, A2 milk, organic milk, organic A2 milk, selenium-rich milk and organic Jersey milk, etc., which further enriched the supply matrix of specialty raw milk. The Group produces 1,142,885 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 and 26 offline pick-up stores, the Group covers more than 10,000 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 1,144,814 straws/units. The production of sex-sorted embryos that can improve the overall genetic level of the dairy cows amounted to over 25,000 units, representing a year-on-year increase of 75.7%, 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.



Contents

2	CORPORATE INFORMATION
4	HIGHLIGHTS
6	CHAIRMAN'S STATEMENT
11	DISTRIBUTION MAP OF PRODUCTION BASES
12	AWARDS AND RECOGNITION
14	MANAGEMENT DISCUSSION AND ANALYSIS
50	REPORT OF DIRECTORS
65	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
71	CORPORATE GOVERNANCE REPORT
89	INDEPENDENT AUDITOR'S REPORT
93	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
94	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
96	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
97	CONSOLIDATED STATEMENT OF CASH FLOWS
99	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
196	FIVE-YEAR FINANCIAL SUMMARY
197	DEFINITIONS





Corporate Information

BOARD OF DIRECTORS

Executive Directors

- Mr. Yuan Jun (袁軍)
(appointed as the Chairman on June 14, 2024 and resigned as an executive Director, the Chairman and President on March 28, 2025)
- 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)

Non-executive Directors

- Mr. Wu Xiang (武翔)
(resigned as a non-executive Director and the Chairman on June 14, 2024)
- Mr. Xu Jun (徐軍)
- Mr. Yang Huicheng (楊慧成)
(appointed on June 14, 2024)
- Mr. Xu, Zhan Kevin (許湛)
- Mr. Qiu Zhongwei (邱中偉)
(resigned on March 28, 2025)

Independent Non-executive Directors

- Ms. Xie Xiaoyan (謝曉燕)
- Mr. Yao Feng (姚峰)
- Mr. Shen Jianzhong (沈建忠)

AUDIT COMMITTEE

- Ms. Xie Xiaoyan (謝曉燕) (Chairperson)
- Mr. Yao Feng (姚峰)
- Mr. Qiu Zhongwei (邱中偉)
(resigned on March 28, 2025)
- Mr. Shen Jianzhong (沈建忠)
(appointed on March 28, 2025)

REMUNERATION COMMITTEE

- Mr. Shen Jianzhong (沈建忠) (Chairperson)
- Ms. Xie Xiaoyan (謝曉燕)
- Mr. Xu Jun (徐軍)

NOMINATION COMMITTEE

- Mr. Hao Haijun (郝海軍)
(appointed as the Chairperson on March 28, 2025)
- Ms. Xie Xiaoyan (謝曉燕)
(appointed on March 28, 2025)
- Mr. Yao Feng (姚峰)
(reassigned from the Chairperson to a member 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)
- Mr. Shen Jianzhong (沈建忠)
(reassigned from the Chairperson to a member on March 28, 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)

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

Corporate Information

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 Mallesons

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
Fengye Mansion, No. 110, Daxue Road West
Hohhot, Inner Mongolia
China

STOCK CODE

9858

COMPANY WEBSITE

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



Highlights

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

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

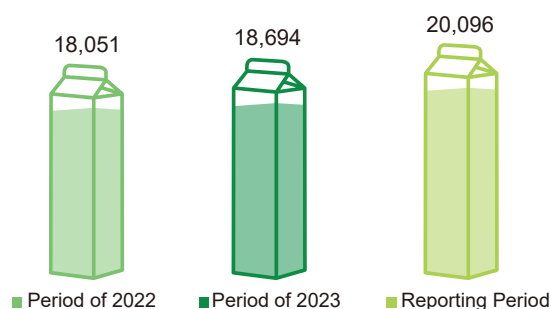
Notes:

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

Highlights

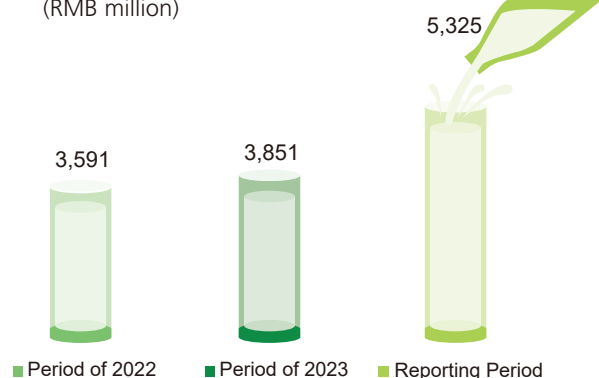
Steady growth of revenue

(RMB million)

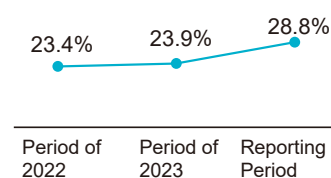


Cash EBITDA

increases significantly YOY during the Reporting Period
(RMB million)

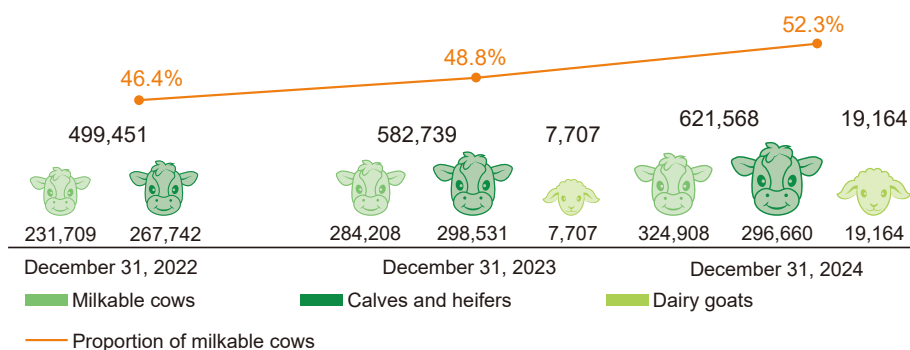


Gross profit margin improves significantly YOY during the Reporting Period (%)

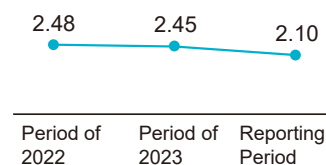


Continued expansion and optimization of herd structure

(heads)

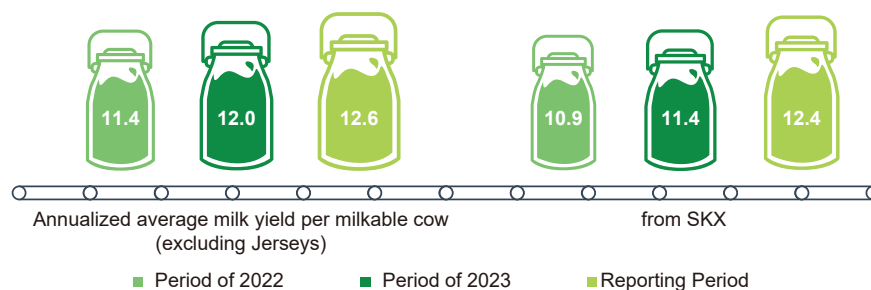


Feed cost of raw milk declines YOY during the Reporting Period (RMB/kg)



Annualized average milk yield per milkable cow hits new high

(tons/head/year)



Chairman'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, despite facing numerous challenges such as insufficient consumer confidence in China and imbalances in the supply and demand of raw milk, the Group remained steadfast in its strategic commitment to high-quality development. We focused on core areas including “lean operational management, breakthrough in technology innovations, synergies across the entire industry chain, deep digital empowerment, and green low-carbon transformation”, in order to mitigate the impact of short-term market fluctuations, while accelerating the development of long-term capabilities. Ultimately, in a complex and challenging environment, the Group successfully achieved dual breakthroughs in steady revenue growth and improved operational efficiency. During the Reporting Period, the Group's revenue increased by 7.5% year-on-year to RMB20,096 million, gross profit rose by 29.4% year-on-year to RMB5,783 million, and cash EBITDA grew by 38.3% year-on-year to RMB5,325 million.

BUSINESS REVIEW: HIGHLIGHTING RESILIENCE BY IN-DEPTH DEVELOPMENT ACROSS THE ENTIRE INDUSTRY CHAIN

Raw Milk Business: Mitigating Cyclical Fluctuations Through Technology Empowerment, Lean Operations, and Structural Optimization

The Group continued to strengthen its competitive advantages in the core business of raw milk. As of December 31, 2024, the number of operational dairy farms increased to 97, with the total herd size exceeding 620,000 cows. The proportion of milkable cows in the herd size of dairy cows increased by 3.5 percentage points year-on-year to 52.3%. Driven by the triple strategy of “lean management + technology empowerment + entire industry chain synergy”, the Group completed genetic improvement of nearly 20,000 cows by applying the embryo transfer technology and achieved a 5.0% year-on-year increase in the annualized average milk yield per milkable cow to 12.6 tons during the Reporting Period, among which, the milk yield per milkable cow of SKX farms increased by 8.8% year-on-year. The feed cost per kilogram of raw milk decreased by 14.3%, and the gross profit margin of raw milk improved by 4.1 percentage points year-on-year. Key quality indicators of raw milk, such as aerobic plate count and somatic cell count, surpassed EU standards, maintaining the Group's leading position in product quality within the industry.

Chairman's Statement



During the Reporting Period, the Group further enriched its portfolio of specialty raw milk products by introducing goat milk, completing a differentiated product matrix that now includes eight categories: Jersey milk, A2 milk, organic milk, DHA milk, goat milk, and others. Despite a 5.9% year-on-year decline in the average price of raw milk of the Group due to industry-wide price reductions, the Group achieved a 17.0% year-on-year increase in revenue from raw milk business through optimized herd structure, enhanced product mix, the operation of new dairy farms, improved milk yield per milkable cow, etc. This growth further solidified the Group's leading position in the industry.

Comprehensive Ruminant Farming Solutions: Technology-Driven Value Extension and Ecosystem Synergy Empowering Customers

In the concentrated feed business, the industry faced a challenging environment with narrowing profit margins during the Reporting Period. As a result, the Group's concentrated feed sales volume decreased by 5.0% year-on-year. To address cyclical industry fluctuations, the Group innovatively developed and launched three major brands: "Lv Mu You Jia (綠牧優加)", which focuses on low-carbon environmental protection and efficiency improvement; "Yuan Yi Mu YXC (元益牧YXC)", which enhances the immune function and feed utilization of beef cattle and mutton sheep; and "Mu Heng You (牧恒優)", specifically tailored to the nutritional parameters of grassland sheep at various growth stages, expanding the product brands to twelve categories. Through iterative upgrades in formulation technology, the Group launched a series of innovative products, including new concentrated feeds, complete feeds, lamb concentrate supplement, and mutton sheep premix. Simultaneously, the Group focused on building a precision service system to accelerate market penetration, driving innovation in production processes and advancements in feed formula design, while establishing a cost control system covering whole process. Additionally, leveraging the online platform, *Jumuc.com*, together with 27 county-level animal husbandry service centers and 26 offline pick-up stores, the Group has built an integrated online and offline marketing network. These initiatives yielded significant results, with the gross profit margin of the feed business increasing by 3.9 percentage points year-on-year and sales of concentrated feed for non-dairy cow including beef cattle and mutton sheep growing by 44.5% year-on-year, marking a breakthrough in the non-dairy cow livestock species concentrated feed market.



Chairman's Statement

In the forage grass business, during the Reporting Period, the Group successfully increased the re-greening rate of alfalfa to over 88% through advancements in alfalfa cold-resistant gene technology, upgraded wrapped silage processes and the SOP management system for alfalfa hay cultivation pioneered by it. The average yield of silage corn per mu at the Wuwei Forage Grass Plantation Base increased to 5.01 tons, with both dry matter and starch content exceeding 32%. Additionally, the Group effectively promoted the implementation of multiple "Revitalizing Inner Mongolia Through Science and Technology" projects, enhancing the technological sophistication of forage production and providing technical support and exemplary cases for the sustainable development of the industry. Leveraging its strengths in digital agriculture, precision agriculture, and sustainable agricultural management, the Group's Yihelvjin (伊禾綠錦) Forage Business was selected as a key case study by the Food and Agriculture Organization of the United Nations, offering valuable insights for the innovative transformation of China's agricultural systems.

In the breeding business, the Group has long been committed to breaking through the "breeding bottleneck" in high-end breeding sources and technologies development, as well as their industrial application. During the Reporting Period, the Group achieved multiple significant technological breakthroughs and practical outcomes in areas of breakthroughs in independent breeding, upgrading precision breeding, innovation in sex-sorted technology, disease-resistant/stress-resistant new strains breeding, and industrial application of sex-sorted embryos. We independently developed the "Breeding No. 1 Chip (育種1號芯片)", which precisely locates functional gene loci related to "high yield, longevity, and disease resistance", significantly improving the accuracy of genetic evaluation and the efficiency of genetic testing for dairy cows. Over 25,000 sex-sorted dairy cow embryos were produced, representing a year-on-year increase of 75.7%. According to the latest evaluation results of the comprehensive breeding value of Chinese dairy breeding bulls released by the National Animal Husbandry Service, independently bred breeding bulls secured the top three positions in a national evaluation of genomic group consisting of 1,022 young Holstein bulls. According to the data of the ranking of reserve dairy breeding bulls released by the American Holsteins Association in December 2024, 10 of the Group's breeding bulls ranked among the top 20 dairy breeding bulls among the genomic bulls from China registered with the American National Association of Animal Breeders. Additionally, the Group made significant strides in diversifying its breeding business during the Reporting Period. One beef cattle core breeding base with highest standards domestically and one key breeding base for Saanen dairy goats in Qingshuihe, Inner Mongolia was put into production and operation.

In the ruminant farming products marketplace business, the Group innovated its vaccine sales model, expanded agricultural supply channels, and increased market coverage. Through strategic partnerships with over ten renowned suppliers, the Group developed its own brands and established an agency model. A supply chain traceability system was implemented to ensure product quality control and source verification, enhancing transparency and trust. The Group also continued to optimize the mobile experience of its platform by developing applications and mini-programs, enabling convenient on-the-go procurement and management, thereby comprehensively improving the operational efficiency of the entire supply chain.

Chairman's Statement

STRATEGIC PILLARS: INNOVATION, QUALITY, DIGITALIZATION, AND GREEN TRANSFORMATION AS QUADRUPLE ENGINES

Innovation Leadership: Significant Year-on-Year Increase of 76% in R&D Investment and Acceleration of Technology Commercialization

During the Reporting Period, the Group's R&D investment increased by 76% year-on-year. It accumulated 91 core patents in business segments such as breeding, feeds and dairy farming, and participated in the formulation and issue of six national, local, and industry standards. Breakthroughs were achieved in dairy cow sex-sorted embryo production, stress-resistant alfalfa breeding, low-carbon feed formulations and precision breeding. Notably, the "Lv Mu You Jia (綠牧優加)" low-carbon technology obtained authoritative certification, and the "Breeding Chip No. 1 (育種1號芯片)" provided a data foundation for genetic improvement. By undertaking major projects under "Agricultural Biological Breeding", the "National Dairy Technology Innovation Center", "Revitalizing Inner Mongolia Through Science and Technology" and other initiatives, the Group is transforming its technological advantages into industry influence.

Quality as the Foundation: Establishing Industry Benchmarks Through Full-Chain Control

The Group adheres to the "Three Comprehensives" quality management system (comprehensive participation, comprehensive process control, and comprehensive coverage) as its core principle. Through over 1,400 control standards, certifications in multiple food safety and quality-related management systems including SQF, near-infrared nutrition database and CNAS laboratory testing, the Group ensures 100% product quality compliance. Key indicators such as aerobic plate count and somatic cell count in raw milk are significantly superior to the national high-quality milk standards. Additionally, during the Reporting Period, 31 farms have obtained student milk certification, and 39 farms have been rated as S-grade modern farms, reflecting the continuous enhancement of the Group's quality assurance capabilities.

Digital Empowerment: Intelligent Farms and Factories Leading Industry Upgrading

Leveraging the "Intelligent Farm Cloud" intelligent farm management system, the Group has integrated 20 intelligent subsystems, including early warning for dairy farming related index and body condition scoring, to establish a digitalized management system for the entire lifecycle of dairy cows. The Group innovatively developed a precision nutrition system and upgraded TMR precision feeding, creating an automated evaluation system to improve feed conversion rates. AI-powered sprinkler and intelligent environmental control equipment were deployed to reduce water consumption and cow stress. The Group also pioneered the construction of a "fully intelligent unmanned barn," utilizing Internet of Things (IoT) and intelligent robot clusters to achieve precision management and enhance dairy cows welfare. Simultaneously, the Group integrated fully automated packaging production and micro-dosing systems. By "deeply integrating ERP and central control systems", it established a fully connected intelligent control chain for the entire production process, driving operational efficiency at feed production bases and setting a benchmark for digital and intelligent transformation.

Green Transformation: From Low-Carbon Practices to Industry Standard Setting

The Group is fully advancing its green development strategy, achieving breakthroughs in carbon reduction through the construction of photovoltaic farms (totaling 11), upgrading energy equipment at 54 farms, and developing ruminant carbon reduction technologies and low-carbon dairy cow breeding systems. By collaborating with silage and other suppliers, the Group carried out the integrated plantation and dairy farming and carbon sequestration practices across nearly 2,000,000 mu of land. The dairy farm in Jinan successfully passed the Verified Carbon Standard (VCS) audit and was granted 49,600 tons of carbon credits. It completed



Chairman's Statement

certifications for four low-carbon farms and one low-carbon breeding farm, and established China's first zero-carbon factory in the feed industry. The Group obtained ISO14001 (Environmental Management System) certification and achieved a CDP three management levels rating of B. Its S&P Global CSA score increased by 13 points, and it was included in the Sustainability Yearbook (China Edition) 2024, establishing a benchmark model for low-carbon transformation in the animal husbandry. Additionally, the Group has participated in formulating standards related to low-carbon farming and carbon footprint accounting, providing the industry with scientific and unified criteria for evaluation.

FUTURE OUTLOOK: ANCHORING HIGH-QUALITY DEVELOPMENT AND BUILDING A NEW ECOSYSTEM

In 2025, national policies will continue to focus on advancing new productive forces in agriculture and the comprehensive revitalization of rural areas. The Group will closely monitor the supply-demand balance of raw milk and policy trends, seize policy opportunities, and deepen the implementation of its established strategies. It will fully advance six core initiatives, injecting new momentum into business development through innovation-driven approaches, digital transformation, and lean management. Leveraging its platform, industry chain, and talent advantages, the Group will adhere to green development principles, enhancing core competitiveness and operational efficiency. Specifically, the Group will focus on the following strategic initiatives:

- i. In terms of raw milk business, the Group will build high-efficiency farms by leveraging precision nutrition and feed diversification to reduce costs and improve efficiency, while developing digital systems to enhance production performance;
- ii. In terms of feed business, the Group will expand market presence by offering solutions in the mode of "product + service" and deepen county-level animal husbandry services to strengthen competitiveness;
- iii. In terms of forage grass business, the Group will improve the quality, yield and conversion rate of forage grass through optimized planting and processing technologies, reducing breeding costs;
- iv. In terms of breeding business, the Group will focus on cultivating top-tier breeding bulls and producing high-quality frozen semen and sex-sorted embryos, accelerating the process of achieving self-sufficiency and control over breeding resources.

The Group will uphold its vision of "leading China's dairy farming industry and becoming the most trusted world-class dairy technology group". It will continue to deepen its presence in whole industry chain in upstream dairy sector, leveraging technological breakthroughs and lean management to navigate market fluctuations. By fostering collaboration across the industry chain, the Group aims to build a healthy industrial ecosystem. It is committed to achieving a harmonious balance of delivering substantial returns to the Shareholders, fostering rapid employee growth, and realizing social value. Through these efforts, the Group will inject sustained momentum into the long-term development of the dairy industry and establish a new benchmark for the sector.

APPRECIATION

Here, 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. Let us join hands and embark on this new journey together!

Hao Haijun
Chairman and President
March 28, 2025

Distribution Map of Production Bases



97 self-operated dairy farms

Covering 17 provinces, municipalities and autonomous regions with a herd size of over 620,000 dairy cows and nearly 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 more than 1.14 million tons during the Reporting Period



16 forage grass plantation bases

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



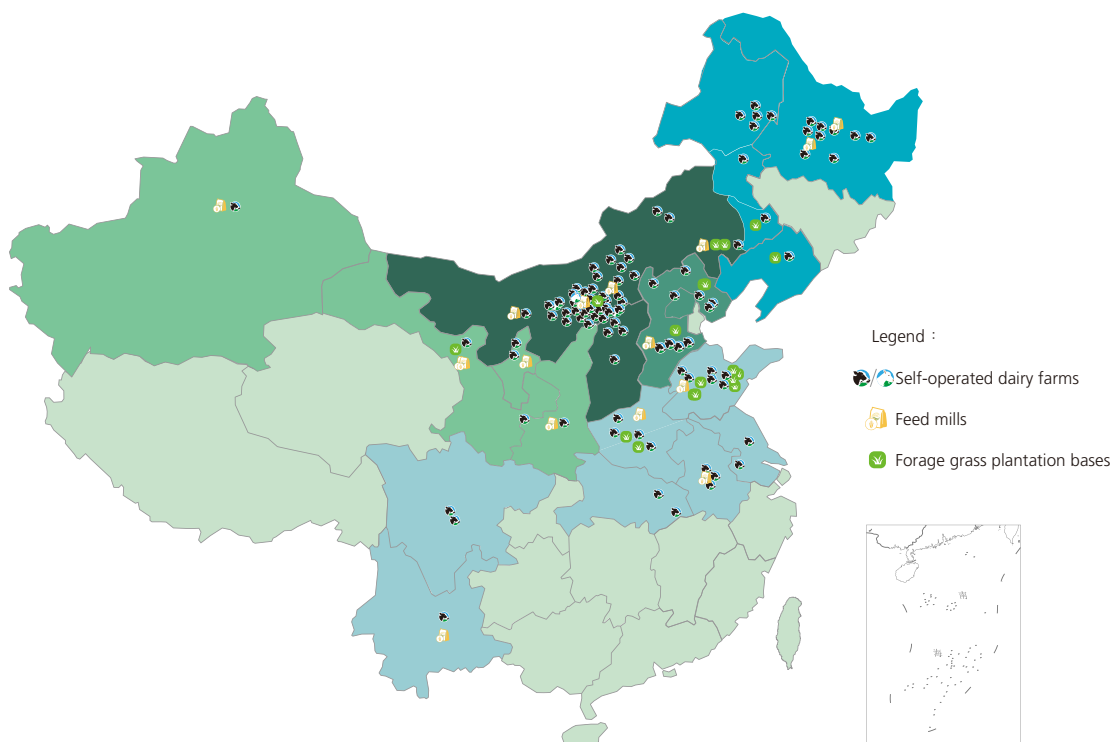
5 key breeding bases

The United States: Wisconsin
China: Horinger and Qingshuihe



1 dairy farming industry chain platform, 26 offline pick-up stores and 27 county-level animal husbandry service centers

Industry chain financial center, warehousing and logistics center, cloud innovation sharing center and global procurement center
Provides more than 10,000 types of ruminant farming products, covering various core business operations of dairy farms



Production base distribution area	Quantity			
	Self-operated dairy farms	Self-operated dairy farms newly added during the Reporting Period	Feed mills	Forage grass plantation bases
Inner Mongolia Region	43	2	3	1
Northeast Region	18	1	3	4
North China Region	10	/	1	2
Central China Region	20	2	4	8
Northwest Region	6	1	4	1
Total	97	6	15	16

Awards and Recognition

01

JULY 2024

DAIRY ASSOCIATION OF CHINA

Major Scientific and Technological Innovation Achievement in the Dairy Industry – The Standardization and Key Technologies of Intelligent Farms in the Dairy Industry Project

INNER MONGOLIA YOURAN DAIRY CO., LTD.



02

JULY 2024

DAIRY ASSOCIATION OF CHINA

Major Scientific and Technological Innovation Achievement in the Dairy Industry – World-class High Breeding Value Breeding Bulls Cultivation Project

INNER MONGOLIA SAIKEXING REPRODUCTIVE BIOTECHNOLOGY (GROUP) CO., LTD.



01

02

03

JANUARY 2024

PEOPLE'S GOVERNMENT OF
INNER MONGOLIA AUTONOMOUS
REGION

Inner Mongolia Autonomous Region
Chairman's Quality Award

INNER MONGOLIA YOURAN DAIRY CO., LTD.



03

04

04

FEBRUARY 2024

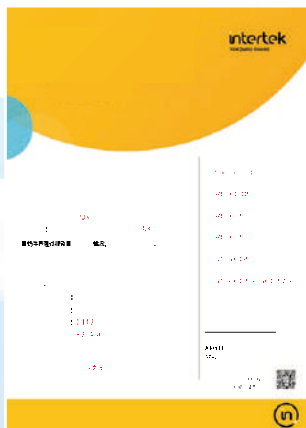
CHINA INSIGHTS CONSULTANCY

Zero-carbon Feed Production Plant

INNER MONGOLIA MUQUAN YUANXING
FEED CO., LTD.



Awards and Recognition



05

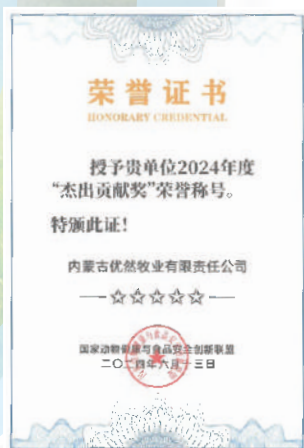
MAY 2024 **INTERTEK TESTING SERVICES LTD., SHANGHAI**
Low-carbon Dairy Farming Farm
 PINGDINGSHAN YOURAN DAIRY CO., LTD.



06

06

JUNE 2024 **CHINA RURAL SPECIAL TECHNOLOGY ASSOCIATION**
Inner Mongolia Tumed Left Banner Dairy Cow Science and Technology Hub
 INNER MONGOLIA YOURAN DAIRY CO., LTD.
 CHILECHUAN ECOLOGICAL INTELLIGENT DAIRY FARM



07

07

JUNE 2024 **CHINA ANIMAL HEALTH AND FOOD SAFETY INNOVATION ALLIANCE**
China Animal Health and Food Safety "Outstanding Contribution Award"
 INNER MONGOLIA YOURAN DAIRY CO., LTD.



08

08

JUNE 2024 **INNER MONGOLIA AUTONOMOUS REGION FEDERATION OF INDUSTRY AND COMMERCE**
INNER MONGOLIA AUTONOMOUS REGION DEVELOPMENT AND REFORM COMMISSION
Top 100 Private Enterprises in Inner Mongolia (ranked 10th) - Distinguished Contribution Award
 INNER MONGOLIA YOURAN DAIRY CO., LTD.



Management Discussion and Analysis

INDUSTRY REVIEW

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

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

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

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.

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

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

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



Management Discussion and Analysis

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

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

Note:

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

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

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, 2024, the annualized average milk yield per milkable cow is calculated by dividing the total raw milk production volume by the average number of milkable cows during that period.



Management Discussion and Analysis

Farm overview and herd structure

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

Dairy farms operation management and raw milk production volume

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

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

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

Management Discussion and Analysis

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

Management Discussion and Analysis

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



Chilechuan Ecological Intelligent Dairy Farm



Intelligent AI Powered Automatic Sprinkler System

Raw milk R&D and study on dairy farming technology

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

Management Discussion and Analysis

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



Jerseys



Dairy Goats

(II) Comprehensive Ruminant Farming Solutions

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

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

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



Management Discussion and Analysis

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

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

Concentrated feed business

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

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

Management Discussion and Analysis

Optimization of production capacity layout and green intelligent upgrade

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

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



Central Control Room of the Feeds Workshop

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

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

Management Discussion and Analysis

Brand building and channel expansion

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

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



Concentrated Feed Products

Management Discussion and Analysis

Concentrated feed product development and technology research to promote product excellence

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

Extensively practicing lean management to improve operational capabilities

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



Management Discussion and Analysis

Forage grass business

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



Forage Grass Plantation Bases

High-quality products and industry-leading technology

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

Management Discussion and Analysis

Integration of plantation and dairy farming and ecological sustainability

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

Deep integration of science and technology innovation and production practice

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

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

Ruminant farming products marketplace business

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



Management Discussion and Analysis

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

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

Breeding Business

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

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

Management Discussion and Analysis

Overview and distribution of breeding bases

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

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

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

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

Breeding product development and technological innovation

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

Management Discussion and Analysis

institutions, achieved multiple significant technological breakthroughs and practical outcomes in the field of livestock biological breeding:

- (i) Breakthroughs in independent breeding: we developed a new technology for producing breeding embryos in dairy cows using Ovum Pick-Up-Intracytoplasmic Sperm Injection/In Vitro Fertilization (OPU-ICSI/IVF). By exploring breed sources from internationally top-ranked bulls and high-quality domestic cows, the Group achieved mass production of dairy cow breeding embryos at an internationally leading level. The first batch successfully bred 8 reserve breeding bulls, marking a milestone in the establishment of an independent dairy cow breeding system;
- (ii) Upgrading precision breeding: we independently developed the “Breeding No. 1 Chip (育種1號芯片)”, which precisely locates functional gene loci related to “high yield, longevity, and disease resistance”. Leveraging the “Breeding Big Data Platform”, which integrates 9 million sets of DHI production data and 30,000 sets of type classification data, the Group has significantly improved the accuracy of genetic evaluation and the efficiency of genetic testing for dairy cows. This provides core technical support for the genetic improvement of the localized “Chinese Dairy Cow” population and the extension of productive lifespans of breeding cows;
- (iii) Innovation in sex-sorted technology: based on the XY sperm-specific proteins discovery and gene editing technology in dairy cows and dairy goats, the Group has developed key new technologies and new products for sex-sorted frozen semen production. This drives the iteration of sex-sorted technology towards higher efficiency and simplification, providing innovative technical support for precise gender regulation in livestock;
- (iv) Disease-resistant/stress-resistant new strains: we conducted stem cell/somatic cell gene editing and successfully established core technical processes for gene editing vector design and cell screening. The Group has taken the lead in entering the stage of gene editing – cloned embryo production – embryo transplantation for functional regulation of offspring, laying the technical foundation for breeding new livestock strains with disease resistance and stress resistance;



Dairy Breeding Bulls



Laboratory for Breeding Business

Management Discussion and Analysis

- (v) Industrial application of sex-sorted embryos: we innovatively integrated a series of technologies for in vivo/in vitro sex-sorted embryo production in dairy cows. The Group systematically optimized key technologies, including the genetic performance of donor cows for embryo production, superovulation hormone combinations, Ovum Pick-Up-In Vitro Fertilization (OPU-IVF) embryo development, and cryopreservation. This has established an efficient production technology process for high-yield dairy cow sex-sorted embryos. During the Reporting Period, over 25,000 high-yield sex-sorted embryos were produced, accelerating the rapid expansion of elite breeds and enhancing breeding efficiency.

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

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

II. RESEARCH AND DEVELOPMENT STRATEGIES MANAGEMENT

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



Management Discussion and Analysis

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

- i. The core technology R&D system. As of December 31, 2024, the Group's R&D team consisted of nearly 400 personnel, all possessing extensive experience in their respective industries. Supported by our in-house R&D team, the Group added 12 new patented technologies for authorization during the Reporting Period, and possessed a total of 91 core patented technologies, covering each of our business lines. During the Reporting Period, the Group participated in the formulation and release of 1 national standard, 4 local standards and 1 group standard, forming solid technical barriers;
- ii. Construction of diversified product matrix. During the Reporting Period, the Group successfully launched the goat milk category and expanded its specialty raw milk to 8 categories, which, benefiting from its certain scarcity, was less affected by the declining price of raw milk. The Group developed and launched proprietary concentrated feed products, such as structural calf feed, rumen bypass soybean meal, premixes, heat stress resistant perinatal feed, low-carbon and high-yield feed products, and continued to improve its ruminant nutrient solutions;
- iii. Key technology research and achievement transformation. The Group has built a leading ruminant nutrient database in China, deepened the application of herd genetic improvement technology and sex-sorting technology, and innovated forage grass processing technology and planting mode. Through joint efforts with renowned colleges and research institutions, the Group promoted agricultural biological breeding major program, major demonstration projects adopting the "open competition mechanism" under the guidance of the National Dairy Technology Innovation Centre and the action of "revitalizing Inner Mongolia through science and technology" in the Inner Mongolia Autonomous Region, and accelerated the industrialization of R&D results by focusing on the key technological issues of the upstream industrial chain of the dairy industry, such as dairy cattle breeding and cultivation, mining of high-quality germplasm sources for dairy cattle and alfalfa germplasm selection and breeding technology. During the Reporting Period, in terms of forage grass business, the Group continued to promote projects of revitalizing Inner Mongolia through science and technology including "Breeding of New Varieties of High-quality Alfalfa and Industrialization Demonstration (優質苜蓿新品種選育及產業化示範)", "Key Technology Research and Demonstration of High-efficiency Water-saving in the Forage Belt of the Yellow River Basin in Inner Mongolia (內蒙古黃河流域飼草帶高效節水關鍵技術研究與示範)", "Screening and Cultivation of High-quality Forage Suitable for Saline-alkali Land and Key Technology Research and Demonstration of Cultivation (鹽鹼地適栽優質飼草篩選及栽培關鍵技術研究與示範)" and "Alfalfa Herbicide Residue and Reduction Technology Research and Demonstration (苜蓿除草劑殘留與消滅技術研發與示範)". In terms of breeding business, the Group has continued to promote a number of scientific research projects such as "Construction of Efficient Production and Implantation Technology for Sex-sorted Embryos of Dairy Cows (奶牛性控胚胎高效生產與移植技術構建)", "Construction of a Big Data Platform for Dairy Breeding and Research on Functional Gene Mining (奶牛育種大數據平台建設與功能基因挖掘研究)", "Research on the Key Technology for Breeding Low-Carbon Emission and Heat-Stress Resistant Dairy Cows and Technological Innovation for Introducing and Expanding Breeding Technology for Dairy Sheep (低碳排放與抗熱應激奶牛培育關鍵技術研究及奶羊引種擴繁技術創新)", and "Key Technological Innovation for Mining Germplasm Sources of High-end Dairy Cows and Efficient Breeding (高端奶牛種源挖掘及高效繁育關鍵技術創新)".

Management Discussion and Analysis

III. QUALITY ASSURANCE

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

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

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

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



Management Discussion and Analysis

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

IV. PROCUREMENT STRATEGIES MANAGEMENT

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

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

V. DIGITAL MANAGEMENT

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

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

Management Discussion and Analysis

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

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

VI. BUILDING A SUSTAINABLE DEVELOPMENT MODEL

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

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

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



Management Discussion and Analysis

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

VII. PROSPECTS

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales

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

Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

Management Discussion and Analysis

Gross profit and gross profit margin

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

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

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

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

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

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

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

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



Management Discussion and Analysis

Other income

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

Impairment losses under expected credit loss model, net of reversal

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

Impairment loss recognised in respect of goodwill

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

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

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

Other gains and losses

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

Selling and distribution expenses

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

Management Discussion and Analysis

Administrative expenses

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

Other expenses

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

Finance costs

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

Loss before tax

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

Income tax expense

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

Loss for the year

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



Management Discussion and Analysis

Non-IFRSs Measures

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

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

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

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

Note:

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

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

Management Discussion and Analysis

Cash EBITDA

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

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

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

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

Net Cash Generated from Operating Activities

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

Net Cash Used in Investing Activities

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

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

Net Cash (Used in)/Generated from Financing Activities

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

Management Discussion and Analysis

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

Indebtedness

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



Management Discussion and Analysis

Contingent Liabilities

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

Net Gearing Ratio

As at December 31, 2024, the Group's net gearing ratio was 185.2%, representing an increase of 20 percentage points as compared to 165.2% as at December 31, 2023, mainly due to the decrease in total equity during the year as affected by the industrial environment. Net gearing ratio is calculated as net debt (equivalent to bank and other borrowings, less pledged and restricted bank 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, 2024, the Group's capital commitment for the acquisition of property, plant and equipment and purchase of biological assets was RMB949 million (as at December 31, 2023: RMB1,617 million), representing a decrease as compared with the capital commitment of December 31, 2023, which was mainly due to the decrease in expense for purchase of assets as the Group completed the strategic blueprint of construction of dairy farms on the golden milk source belt, which led to significant reduction of investment scale.

Pledge of Assets

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

Foreign Exchange Risk

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

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

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

Management Discussion and Analysis

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, 2024) during the Reporting Period.

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and/or Disposals

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

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

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

Management Discussion and Analysis

Employees and Remuneration Policy

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

Function	Number of Staff	% of Total
Management Personnel	1,264	9.8%
Professional Personnel ^{Note 1}	1,449	11.2%
Technicians	3,016	23.3%
Skilled Personnel ^{Note 2}	6,864	53.1%
Supporting Personnel ^{Note 3}	337	2.6%
Total	12,930	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.

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

- i. Talent guarantee: The Group established cooperation relationships with colleges to achieve the integration of industry and teaching as well as the combination of industry and research, and continuously introduce quality industry talents. Meanwhile, we built “a specialised, yet versatile” and multi-skilled management team, improved the dual-track promotion mechanism of management and specialty, and upgraded the qualification management system to ensure the alignment of the career development of employees with the Group’s strategic goals.

Management Discussion and Analysis

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

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



Report of Directors

The Board of the Company is pleased to present this report of Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

DIRECTORS

The Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors

Mr. Yuan Jun (袁軍)

(appointed as the Chairman on June 14, 2024, and resigned as an executive Director, the Chairman and the President on March 28, 2025)

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)*

Non-Executive Directors

Mr. Wu Xiang (武翔) *(resigned as a non-executive Director and the Chairman on June 14, 2024)*

Mr. Xu Jun (徐軍)

Mr. Yang Huicheng (楊慧成) *(appointed on June 14, 2024)*

Mr. Xu, Zhan Kevin (許湛)

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

Independent Non-Executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

Biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 65 to 69 of this annual report.

In accordance to 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. Xu Jun, Mr. Xu, Zhan Kevin and Ms. Xie Xiaoyan 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. Yang Huicheng, Mr. Hao Haijun and Ms. Meng Yilan 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. Wu Xiang	Resigned as a non-executive Director and the Chairman of the Company with effect from June 14, 2024.
Mr. Yang Huicheng	Appointed as a non-executive Director of the Company with effect from June 14, 2024.
Mr. Yuan Jun	Appointed as the Chairman of the Company with effect from June 14, 2024, and resigned as an executive Director, the Chairman and the President of the Company on March 28, 2025.
Mr. Hao Haijun	Appointed as an executive Director, the Chairman and the President of the Company with effect from March 28, 2025.
Ms. Meng Yilan	Appointed as an executive Director of the Company with effect from March 28, 2025.
Ms. Xie Xiaoyan	Resigned 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)), with effect from August 29, 2024.

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 93 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 "Chairman'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 2025. 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 with reference to international standards. For details, please refer to the "Environmental, Social and Governance Report" published by the Company in April 2025.

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, 2024, 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.

During the Reporting Period, revenue generated from the Group's top five customers was RMB15,979 million (2023: RMB13,671 million), representing 79.5% (2023: 73.1%) of the Group's total revenue. The Group generated revenue of RMB14,323 million (2023: RMB12,447 million) from sales of raw milk to Yili Group, our largest customer, representing 94.8% (2023: 96.5%) 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. 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 any of our five largest 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, 2024 to the Group’s total revenue amounted to approximately 3.6%. 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 largest 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 and Community Commitment 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 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 196 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 RMB0.4 million (2023: RMB0.9 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, 2024. 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, 2024, the Company had distributable reserves of RMB4,809 million (2023: RMB5,326 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity on page 96 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, 2024 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 agreements 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 appointment letters or by either party giving to the other not less than one month's prior notice in writing.

Apart from Mr. Yang Huicheng being appointed as a non-executive Director on June 14, 2024, Mr. Hao Haijun being appointed as an executive Director and the Chairman on March 28, 2025, and Ms. Meng Yilan being appointed as an executive Director on March 28, 2025, each of the remaining Directors has renewed their service contracts in 2024. 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 the Prospectus and in this annual report, 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 disclosed in the Prospectus and 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, 2024, 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, 2024, 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 Co. Ltd. (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	822,602,530(L)	21.13
Pacific Alliance Group Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
Shan Weijian ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Capital Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Dairy GP I Limited ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG Dairy I LP ⁽⁴⁾	Interest in controlled corporations	822,602,530(L)	21.13
PAG II ⁽⁴⁾	Beneficial interest	822,602,530(L)	21.13
Meadowland Investment Limited Partnership ⁽⁵⁾	Beneficial interest	564,982,819(L)	14.51



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, 2024.
3. Boyuan Investment Holding Co. Ltd. (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 Co. Ltd. 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 822,602,530 Shares in the long position. PAG II was a wholly-owned subsidiaries 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 822,602,530 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 34.67% by Mr. Shan Weijian. Accordingly, PAG Capital Limited, Pacific Alliance Group Limited, Mr. Shan Weijian and PAG were deemed to be interested in 822,602,530 Shares in the long position held by PAG II.
5. Meadowland Investment Limited Partnership is an exempted limited partnership established under the laws of the Cayman Islands.

Save as disclosed above, as at December 31, 2024, 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 RMB5.7 million (as set out in Note 14 to the consolidated financial statements).

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.

Report of Directors

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 the annual report and consolidated financial statements of the Company.

Continuing Connected Transactions	Proposed Annual Cap/Maximum Amount of Daily Deposit Balance in 2024 (RMB million)	Actual Transaction Amount/Actual Maximum Amount of Daily Deposit Balance Amount in 2024 (RMB million)
<i>Partially-exempt continuing connected transactions</i>		
Dairy Products Purchase Framework Agreement		
Purchase of dairy products from Yili Group	134	48.1
Shared Financial Services Framework Agreement		
Provision of accounting related shared financial services by Yili to the Group	13	10.8
Purchase and Sale Framework Agreement		
Provision of comprehensive ruminant farming solutions products and services to YouYuan Farm	206	152.9
<i>Non-exempt continuing connected transactions</i>		
Raw Milk Purchase and Sale Framework Agreement		
Sale of raw milk to Yili Group	19,900	14,322.8
Financial Services Framework Agreement		
Provision of deposit services by Yili Finance Company to the Group	1,500	1,381.7

1. Dairy Products Purchase Framework Agreement

On May 17, 2021, the Company and Yili entered into the Dairy Products Purchase Framework Agreement, pursuant to which Yili Group would supply dairy products, such as milk powder, feed-grade milk powder, etc. to the Group for a term of three years commencing from the Listing Date. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company.

On April 24, 2023, the Company 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, 2024 to December 31, 2026. 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 Prospectus and the announcements of the Company dated August 29, 2022 and April 24, 2023.



Report of Directors

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.

As the existing Shared Financial Services Framework Agreement will expire on December 31, 2025, 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 unless terminated earlier in accordance with its terms. 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.

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 shall 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.

As the existing Purchase and Sale Framework Agreement will expire on December 31, 2025, on March 28, 2025, the Group renewed the Purchase and Sale Framework Agreement with YouYuan Farm, pursuant to which YouYuan Farm shall purchase comprehensive ruminant farming solutions products and services, including but not limited to feed products, ruminant farming products, breeding products and related services, from the Group for a term of three years commencing from January 1, 2026 to December 31, 2028 unless terminated earlier in accordance with its terms. 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 (the "**Purchase and Sale Framework Agreement Announcements**").

Report of Directors

To further supplement the information in relation to the pricing policy for transactions conducted with YouYuan Farm as outlined in the Purchase and Sale Framework Agreement Announcements, the price quotations offered by the Group to YouYuan Farm for products with standard specification and products with tailored specification are determined with reference to the internal pricing guideline of the Company which is also applied to the Group's independent customers in the same region. For all transactions conducted with YouYuan Farm (including feed products, ruminant farming products and breeding products), the price quotation offered to YouYuan Farm must be pre-approved by the Company's business department, the business finance department and the head of business department, before the price quotation is finally approved by the responsible financial personnel of the related business unit who will verify the price quotation is in line with the Company's internal pricing policy and standard pricing. The Company's standard pricing is offered to both connected person(s) and independent customers. At settlement of the transaction, the business finance department will further review the price to ensure it is settled in accordance with the aforementioned approved price. The pricing guideline in the Purchase and Sale Framework Agreement serves as additional measures to ensure the prices implemented in the transactions with YouYuan Farm are in line with industry market prices to ensure the transactions under the Purchase and Sale Framework Agreement are conducted on a fair and reasonable basis. The Directors are of the view that the internal pricing policy of the Company and the above internal procedures serve as effective safeguards to ensure that the prices to be charged by the Company to YouYuan Farm will be no less favourable to the Company than those offered to independent customers.

4. Raw Milk Purchase and Sale Framework Agreement

On May 17, 2021, our Company and Yili entered into the Raw Milk Purchase and Sale Framework Agreement, pursuant to which our Group would provide long-term supply of raw milk to Yili Group for a term of three years commencing from the Listing Date. Yili is a controlling shareholder of the Company and accordingly a connected person of the Company under the Listing Rules.

On April 24, 2023, the Company 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, 2024 to December 31, 2026. 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 Prospectus, the announcements of the Company dated April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.

5. Financial Services Framework Agreement

On September 28, 2021, 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 commencing from September 28, 2021 to December 31, 2023. 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.



Report of Directors

On April 24, 2023, the Company renewed the Financial Services Framework Agreement with Yili Finance Company, pursuant to which Yili Finance Company shall 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. While the settlement services and the other financial services to be provided by Yili Finance Company to the Group 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, 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.

Further details of the Financial Services Framework Agreement and its renewal are set out in the announcements of the Company dated September 28, 2021, April 24, 2023 and May 17, 2023 and circular of the Company dated April 25, 2023.

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 of the Company 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.

Report of Directors

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, 2024, 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.

USE OF PROCEEDS FROM LISTING

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

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

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

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



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

The Company renewed the Shared Financial Services Framework Agreement with Yili on March 28, 2025, which becomes effective from January 1, 2026 to December 31, 2028. Pursuant to the agreement, Yili intends to provide accounting related shared financial services to the Group.

The Company renewed the Purchase and Sale Framework Agreement with YouYuan Farm on March 28, 2025, which becomes effective from January 1, 2026 to December 31, 2028. Pursuant to the agreement, YouYuan Farm intends to purchase comprehensive ruminant farming solutions products and services from the Group.

Further details are set out in the section headed “Continuing Connected Transactions” on pages 59 to 63 of this annual report and in the announcement of the Company dated March 28, 2025.

Save as disclosed in this annual report, there are no other significant events that might affect the Group since December 31, 2024 and up to the Latest Practicable Date.

By the order of the Board

Mr. Hao Haijun

Chairman and executive Director

Hohhot, the PRC

March 28, 2025

Biographical Details of Directors and Senior Management

As of the Latest Practicable Date, 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 44, 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 of the Company. 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 24 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.

Mr. Dong Jiping (董計平), aged 44, joined our Group since November 2015, and was appointed as Director of our Company on August 24, 2020 and designated 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 20 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 37, was appointed as an executive Director of the Company 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 13 years of rich experience in the information security and information technology industry.



Biographical Details of Directors and Senior Management

Non-executive Directors

Mr. Xu Jun (徐軍), aged 53, was appointed as a Director of our Company on August 24, 2020 and designated 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.

Mr. Xu graduated from the University of Inner Mongolia (內蒙古大學) in July 1996 and obtained his bachelor's degree in economic management. Mr. Xu joined Yili Group in August 1996. He worked as the director of corporate management division and the director of human resources of liquid milk division (液態奶事業部) of Yili Group, the vice general manager of the strategic sourcing department (戰略採購部), the general manager of the cold drink department (冷飲事業部), the general manager of the milk powder department (奶粉事業部) and the general manager of the human resource department (人力資源部) of Yili Group successively. Subsequently, he has been the assistant to the president (總裁助理) of Yili Group since August 2017. Mr. Xu has over 28 years of extensive experience in the dairy industry.

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

Mr. Yang Huicheng (楊慧成), aged 48, was appointed as a non-executive Director on June 14, 2024. Mr. Yang is primarily responsible for providing strategic advice on corporate development, and making recommendations on our Company's major operational and management decisions.

Mr. Yang graduated from Inner Mongolia Agricultural University (內蒙古農業大學) in July 1999 majoring in food engineering and graduated from China Agricultural University (中國農業大學) in July 2018 majoring in business administration. Mr. Yang joined Yili Group in August 1999 and served as deputy general manager and plant manager of various subsidiaries of the liquid milk division (液態奶事業部) and cold drink division (冷飲事業部) of Yili Group, and director of the supply and security department (供應保障部), general manager of the investment management department (投資管理部) as well as deputy general manager of cold drink division (冷飲事業部) of Yili Group successively. Since July 2024, he served as the deputy general manager of the liquid milk division (液態奶事業部) of Yili Group. Mr. Yang has over 25 years of extensive experience in the dairy industry.

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

Mr. Xu, Zhan Kevin (許湛), aged 43, was appointed as a Director of our Company on August 24, 2020 and designated 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.

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.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕), aged 54, has been an independent non-executive Director of the Company since June 7, 2021. Ms. Xie is primarily responsible for supervising and providing independent judgment to our Board.

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 extensive experience in internal control and risk management. 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 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 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. 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 64, has been an independent non-executive Director of the Company since June 7, 2021. Mr. Yao is primarily responsible for supervising and providing independent judgment to our Board.

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 and has abundant experience in risk management, 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 has been a council member of the Business School of China University of Political Science and Law since May 2017.

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

Mr. Shen Jianzhong (沈建忠), aged 62, has been an independent non-executive Director since June 7, 2021. Mr. Shen is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Shen has been working at China Agricultural University (中國農業大學) since 1988 and is currently a professor of the department of basic veterinary medicine of the school of veterinary medicine (動物醫學院) of China Agricultural University, and a director of National Key Laboratory of Veterinary Public Health and Safety (獸醫公共衛生安全全國重點實驗室).

Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology (國家科技進步二等獎) in 2006 and the second prize of the National Award for Technological Invention (國家技術發明二等獎) in 2015 and was elected as an academician of the Chinese Academy of Engineering (中國工程院院士) in 2015. Mr. Shen was awarded the second prize of the National Award for Progress in Science and Technology again in 2020 and the second prize of the National Natural Science (國家自然科學二等獎) in 2024.

Mr. Shen obtained a master's degree of agriculture from Beijing Agricultural University (北京農業大學) in 1988 and a doctorate degree of science from China Agricultural University (中國農業大學) in 1997.

SENIOR MANAGEMENT

Mr. Hao Haijun (郝海軍), aged 44, is the executive Director and president of our Company. Please see above for further details.

Mr. Dong Jiping (董計平), aged 44, is the executive Director and vice president of our Company. Please see above for further details.

Mr. Jiang Guangjun (姜廣軍), aged 51, joined our Group in December 2019, and was appointed as the vice president of our Company on November 15, 2020. Mr. Jiang has over 26 years of experience in 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. Xu Yanfei (許燕飛), aged 44, joined our Group in August 2008 and was appointed as a vice president of our Company on November 15, 2020. Mr. Xu has over 18 years of experience in farm management, and is responsible for overseeing and managing the overall operations of our Group's farms.



Biographical Details of Directors and Senior Management

Mr. Xu obtained his bachelor's degree in agriculture from the Agricultural University of Inner Mongolia (內蒙古農業大學) in June 2006, majoring in animal medicine. He joined Yili Group in February 2006. Since August 2008, he has been working in the farms under the Group and served as the manager of the milking department, the manager of the feeding department, the assistant to dairy farm manager and the dairy farm manager, during which he was assigned to study for one year at a farm of 10,000 cows in Florida, U.S. from 2011 to 2012. From July 2017 to December 2018, he served as the assistant general manager of the husbandry unit of Inner Mongolia Youran; the deputy general manager of Inner Mongolia Youran and was responsible for husbandry business since December 2018.

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

Mr. Xu was awarded "May 1 Labour Medal in the Inner Mongolia Autonomous Region (內蒙古自治區五一勞動獎章)" and "Labour Model of Hohhot (呼和浩特市勞動模範)", and was the torchbearer for the Beijing Winter Olympics in 2022.

Mr. Zhuang Yanxiao (莊燕曉), aged 41, joined our Group in 2023 and was appointed as a vice president of our Company on March 27, 2024. Mr. Zhuang has over 19 years of experience in 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 53, joined our Group since January 2022 and was appointed as the vice president and the secretary to the Board of our Company on March 30, 2022. Mr. Lv has more than 22 years of experience in 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 also has 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 of the Company 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 of the Company. 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 of the Company at a time when it is appropriate.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the 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 Group'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 high quality development, 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 2024 Environmental, Social and Governance Report published by the Company on April 2025.



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

As of the Latest Practicable Date, the Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors.

During the Reporting Period and as of the Latest Practicable Date, the composition of the Board was as follows:

Executive Directors

Mr. Yuan Jun (袁軍)

(appointed as the Chairman on June 14, 2024, and resigned as the executive Director, the Chairman and the President on March 28, 2025)

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)*

Non-Executive Directors

Mr. Wu Xiang (武翔) *(resigned as the non-executive Director and the Chairman on June 14, 2024)*

Mr. Xu Jun (徐軍)

Mr. Yang Huicheng (楊慧成) *(appointed on June 14, 2024)*

Mr. Xu, Zhan Kevin (許湛)

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

Independent Non-executive Directors

Ms. Xie Xiaoyan (謝曉燕)

Mr. Yao Feng (姚峰)

Mr. Shen Jianzhong (沈建忠)

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 65 to 69 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 been served as the Chairman and the President of the Company since June 14, 2024, and resigned as the executive Director, the Chairman and the President of the Company on March 28, 2025. Mr. Hao Haijun was appointed as the executive Director, the Chairman and the President of the Company 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	General Meeting
Executive Directors:					
Mr. Yuan Jun	4/4	N/A	N/A	N/A	1/1
Mr. Dong Jiping	4/4	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Wu Xiang	3/3	N/A	N/A	N/A	1/1
Mr. Xu Jun	4/4	1/1	N/A	N/A	0/1
Mr. Yang Huicheng	2/2	N/A	N/A	N/A	N/A
Mr. Xu, Zhan Kevin	4/4	N/A	1/1	N/A	1/1
Mr. Qiu Zhongwei	4/4	N/A	N/A	2/2	1/1
Independent Non-executive Directors:					
Ms. Xie Xiaoyan	4/4	1/1	N/A	2/2	1/1
Mr. Yao Feng	4/4	N/A	1/1	2/2	1/1
Mr. Shen Jianzhong	3/4	1/1	1/1	N/A	1/1

Apart from regular Board meetings, the Chairman of the Board 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 20, 2024 either in person or online except Mr. Xu Jun due to other personal arrangements.

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.



Corporate Governance Report

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 agreement 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 automatically 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. Xu Jun, Mr. Xu, Zhan Kevin and Ms. Xie Xiaoyan 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. Yang Huicheng, who was appointed as a non-executive Director on June 14, 2024; 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 March 28, 2025, shall retire and being eligible, will offer themselves for re-election at the AGM.

Each of Mr. Yang Huicheng, Mr. Hao Haijun and Ms. Meng Yilan has also obtained the legal advice referred to in Rule 3.09D of the Listing Rules on the day of their appointment as non-executive Director and executive Director, respectively, and confirmed that they understand the responsibilities as Directors of the Company.

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 of the Company arising out of corporate activities.

Corporate Governance Report

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 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.

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, the composition of the Audit Committee has been restructured. Mr. Qiu Zhongwei resigned as a member of the Audit Committee and Mr. Shen Jianzhong was appointed as a member of the Audit Committee. The restructured Audit Committee consists of 3 members, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Mr. Shen Jianzhong, all 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.



Corporate Governance Report

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 two meetings to review the Company's annual results and annual report for the year ended December 31, 2023 and the interim results and interim report for the six months ended June 30, 2024. During the meetings, the Audit Committee also reviewed the significant issues on the financial reporting, 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. The Remuneration Committee consists of three Directors, namely Mr. Shen Jianzhong, Ms. Xie Xiaoyan and Mr. Xu Jun. Mr. Xu Jun is a non-executive Director and each of Ms. Xie Xiaoyan and Mr. Shen Jianzhong is an independent non-executive Director. Mr. Shen Jianzhong 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 one 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.

Details of the Directors' remuneration for the year ended December 31, 2024 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\$1,000,001 – HK\$1,500,000	1
HK\$1,500,001 – HK\$2,000,000	3
Total	4

Corporate Governance Report

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, the composition of the Nomination Committee has been restructured. Mr. Shen Jianzhong and Mr. Xu, Zhan Kevin resigned as members of the Committee; Mr. Yao Feng was reassigned as a member from the chairperson of the Committee; Mr. Hao Haijun was appointed as the chairperson of the Committee and Ms. Xie Xiaoyan was appointed as a member of the Committee. The restructured Nomination Committee consists of 3 members, namely Mr. Hao Haijun, Ms. Xie Xiaoyan and Mr. Yao Feng. Mr. Hao Haijun is an executive Director and each of Ms. Xie Xiaoyan and Mr. Yao Feng 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 one 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 (the "ESG") committee (the "ESG Committee") with written terms of reference on August 23, 2024. With effect from March 28, 2025, the composition of the ESG Committee has been restructured. Mr. Shen Jianzhong was reassigned as a member from the chairperson of the Committee and Mr. Yao Feng was reassigned as the chairperson from a member of the Committee. The restructured ESG Committee consists of 3 members, namely Mr. Yao Feng, Ms. Xie Xiaoyan and Mr. Shen Jianzhong, 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.

As of the Latest Practicable Date, the ESG Committee held one meeting to review and monitor the Group's ESG related performance of 2024, 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.



Corporate Governance Report

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 two female Directors and seven 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, veterinary medicine, biotechnology, financial management and network information security management, and have obtained degrees in various majors including economics, engineering, management and electronic information science and technology. The ages of the Directors range from 37 to 64. 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 of the Company 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 its 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, 2024, female employees represented 27.0% of the total workforce (including senior management) of the Group and as of the Latest Practicable Date, female Directors of the Company represented 22.2% of the Board seats. We will continue to work towards enhancing gender diversity of the Board and the Group's employees, and has 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 of the Company 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 efforts to handle 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 provision F.1.1 of the Corporate Governance Code.

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 89 to 92 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 expenses.

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 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	Training Topics				
	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	Matters related to corporate governance and environmental, social and governance (including the development of sustainability or climate related risks and opportunities relating to the 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. Yuan Jun	√	√	√	√	√
Mr. Dong Jiping	√	√	√	√	√
Non-executive Directors:					
Mr. Wu Xiang	√	√	√	√	√
Mr. Xu Jun	√	√	√	√	√
Mr. Yang Huicheng	√	√	√	√	√
Mr. Xu, Zhan Kevin	√	√	√	√	√
Mr. Qiu Zhongwei	√	√	√	√	√
Independent Non-executive Directors:					
Ms. Xie Xiaoyan	√	√	√	√	√
Mr. Yao Feng	√	√	√	√	√
Mr. Shen Jianzhong	√	√	√	√	√



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 89 to 92.

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	3,223
Interim review	1,800
Other services	1,423
Total	8,823

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 of the Board, 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 of the Board 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 semi-annual 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 of the Company 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 group 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. The review also ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions as well as those relating to the Company's ESG performance and reporting.

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. Wu Di, the manager of the Company's Hong Kong office 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 of the Company 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.

德勤

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 93 to 195, which comprise the consolidated statement of financial position as at December 31, 2024, 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, 2024, 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"), and we have 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, 2024 and the significant degree of estimates made by the management in determining such fair values. The Group reported milkable cows of RMB8,658 million in biological assets as at December 31, 2024. 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 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
Revenue	6	20,096,160	18,693,896
Cost of sales	7	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	22	4,468,909	3,275,246
Gross profit		5,782,990	4,469,785
Loss arising from changes in fair value less costs to sell of biological assets	22	(3,921,360)	(3,613,271)
Other income	8	549,370	453,821
Impairment loss under expected credit loss model, net of reversal	9	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill	20	–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	17/19	(512,850)	(7,879)
Other gains and losses	10	(102,152)	143,430
Selling and distribution expenses		(632,290)	(619,566)
Administrative expenses		(806,677)	(778,154)
Other expenses		(122,881)	(70,383)
Share of losses of associates	24	(79,666)	(126,559)
Share of loss of a joint venture		(989)	(541)
Finance costs	11	(903,487)	(1,082,592)
Loss before tax		(774,465)	(1,359,504)
Income tax expense	12	(87,022)	(93,388)
Loss for the year	13	(861,487)	(1,452,892)
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of related income tax	25	(5,528)	6,236
Exchange differences arising on translation from functional currency to presentation currency		207,803	298,805
		202,275	305,041
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(277,322)	(363,985)
Other comprehensive expense for the year, net of income tax		(75,047)	(58,944)
Total comprehensive expense for the year		(936,534)	(1,511,836)
Loss for the year attributable to:			
Owners of the Company		(690,890)	(1,049,980)
Non-controlling interests		(170,597)	(402,912)
		(861,487)	(1,452,892)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(764,488)	(1,111,555)
Non-controlling interests		(172,046)	(400,281)
		(936,534)	(1,511,836)
		RMB	RMB
Loss per share	15		
Basic		(0.18)	(0.28)
Diluted		N/A	(0.28)



Consolidated Statement of Financial Position

At December 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets			
Property, plant and equipment	17	15,076,822	15,181,413
Investment properties	18	2,276	18,445
Right-of-use assets	19	3,048,031	2,735,677
Goodwill	20	672,014	672,014
Intangible assets	21	26,540	25,178
Biological assets	22	15,364,953	14,605,898
Deferred tax assets	23	46,778	35,388
Interests in associates	24	891,844	1,047,147
Interest in a joint venture		3,558	4,301
Equity instruments at FVTOCI	25	11,766	18,728
Pledged and restricted bank deposits	31	14,933	12,940
Deposits paid for purchase of property, plant and equipment		120,790	355,405
Deposits paid for purchase of biological assets		108	34,616
Deposits paid for right-of-use assets		–	4,187
Prepayments, deposits and other receivables	29	20,061	41,982
		35,300,474	34,793,319
Current assets			
Inventories	26	4,311,226	4,504,858
Trade receivables	27	691,643	792,071
Bills receivable		–	4,323
Contract assets	28	800	2,278
Biological assets	22	250	212
Prepayments, deposits and other receivables	29	213,806	380,394
Financial assets at fair value through profit or loss ("FVTPL")	30	53,057	–
Amounts due from related parties	45	1,354,921	1,099,845
Pledged and restricted bank deposits	31	115,821	134,087
Bank balances and cash	31	829,310	3,935,982
Deposits placed with a related party	45	785,359	552,359
		8,356,193	11,406,409
Current liabilities			
Trade and bills payables	32	2,275,854	2,113,192
Other payables and accruals	33	1,640,703	1,982,750
Contract liabilities	34	30,332	31,231
Amounts due to related parties	45	151,960	79,277
Bank and other borrowings	35	16,709,437	16,433,086
Lease liabilities	37	248,410	220,788
Other liabilities		–	7,310
Other provisions	38	26,403	19,807
Income tax payable		26,788	27,139
		21,109,887	20,914,580
Net current liabilities		(12,753,694)	(9,508,171)
Total assets less current liabilities		22,546,780	25,285,148

Consolidated Statement of Financial Position

At December 31, 2024

	NOTES	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current liabilities			
Bank and other borrowings	35	7,546,965	9,826,502
Deferred tax liabilities	23	11,449	7,292
Deferred income	36	814,900	728,211
Lease liabilities	37	1,988,397	1,601,913
Other provisions	38	25,311	22,535
		10,387,022	12,186,453
Net assets		12,159,758	13,098,695
Capital and reserves			
Share capital	39	258	251
Reserves		11,294,988	11,830,467
Equity attributable to owners of the Company		11,295,246	11,830,718
Non-controlling interests		864,512	1,267,977
Total equity		12,159,758	13,098,695

The consolidated financial statements on pages 93 to 195 were approved and authorised for issue by the board of directors on March 28, 2025 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, 2024

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note (iii))	Convertible	Capital reserve RMB'000 (Note (i))	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000 (Note (ii))	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				notes								
				equity reserve RMB'000								
At January 1, 2023	251	7,349,088	188,567	677,081	(4,926)	(1,334)	(164,329)	597,884	4,421,464	13,063,746	1,687,383	14,751,129
Profit/(loss) and other comprehensive income/ (expense) for the year	-	-	-	-	-	3,639	(65,214)	-	(1,049,980)	(1,111,555)	(400,281)	(1,511,836)
Dividends paid to owners of the Company (Note 16)	-	(83,499)	-	-	-	-	-	-	-	(83,499)	-	(83,499)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,125)	(19,125)
Partial redemption/maturity of convertible notes	-	-	-	(677,081)	639,107	-	-	-	-	(37,974)	-	(37,974)
Statutory fund appropriation	-	-	-	-	-	-	-	114,218	(114,218)	-	-	-
At December 31, 2023	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 (Note 39)	7	141,113	-	-	-	-	-	-	-	141,120	-	141,120
Acquisition of non-controlling interests in SKX (Note 39)	-	-	-	-	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

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, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(774,465)	(1,359,504)
Adjustments for:			
Share of loss of a joint venture		989	541
Share of losses of associates		79,666	126,559
Loss arising from changes in fair value less costs to sell of biological assets		3,921,360	3,613,271
Bank interest income	8	(55,266)	(22,208)
Interest income from Yili Group (as defined in Note 45)	8	(9,603)	(6,026)
Interest income from finance lease receivables		(220)	(136)
Government grants	8	(173,337)	(190,578)
Finance costs	11	903,487	1,082,592
Exchange gain		(632)	(780)
Depreciation and amortisation	13	699,922	551,249
Write-down of inventories		3,565	9,184
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	9	24,473	6,629
Loss on disposal of property, plant and equipment	10	2,215	18,531
Impairment loss on property, plant and equipment and right-of-use assets	17/19	512,850	7,879
Impairment loss on investment property	10	14,209	3,441
Impairment loss recognised in respect of goodwill	20	–	120,966
Impairment loss recognised in respect of interests in an associate	24	88,964	–
Loss/(gain) on termination of lease agreements and sublease	10	6,008	(1,454)
Loss on partial redemption of convertible notes	10	–	918
Fair value gains on financial assets at FVTPL	10	(10,535)	(160,429)
Operating cash flows before movements in working capital		5,233,650	3,800,645
Decrease in inventories		283,928	273,636
Decrease in trade receivables		77,002	516,057
Decrease/(increase) in bills receivable		4,323	(4,323)
Decrease in prepayments and other receivables		168,845	444,496
Increase in amounts due from related parties		(255,076)	(182,277)
Decrease in contract assets		1,478	4,838
Increase/(decrease) in trade and bills payables		162,662	(575,386)
Increase in other payables and accruals		54,051	98,562
Decrease in contract liabilities		(12,943)	(10,027)
Increase in amounts due to related parties		72,683	31,939
Increase in deferred income		69,218	56,922
Increase in other provisions		6,596	–
Cash generated from operations		5,866,417	4,455,082
Interest received		64,869	28,234
Income taxes paid		(93,172)	(93,352)
Net cash from operating activities		5,838,114	4,389,964



Consolidated Statement of Cash Flows

For the year ended December 31, 2024

	NOTES	Year ended 31/12/2024 RMB'000	Year ended 31/12/2023 RMB'000
INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,679,693)	(2,758,361)
Payments for right-of-use assets		(24,367)	(103,790)
Payments for intangible assets		(4,787)	(402)
Proceeds from disposal of property, plant and equipment		20,507	28,451
Proceeds from disposal of investment properties		430	–
Payments for biological assets		(4,809,514)	(5,188,369)
Proceeds from disposal of biological assets		735,776	1,088,357
Purchase of financial assets at FVTPL		(1,467,032)	(4,500,000)
Proceeds from disposal of financial assets at FVTPL		1,424,510	6,579,767
Placement of pledged and restricted bank deposits		(356,105)	(12,713)
Withdrawal of pledged and restricted bank deposits		372,378	278,450
Receipt of government grants for assets		190,808	242,357
Receipt from finance lease receivables		200	1,875
Net cash used in investing activities		(5,596,889)	(4,344,378)
FINANCING ACTIVITIES			
New bank and other borrowings raised		25,957,945	37,627,099
Repayments of bank and other borrowings		(28,044,554)	(32,007,949)
Interest paid for bank and other borrowings		(849,092)	(835,840)
Repayment of lease liabilities		(94,120)	(107,806)
Interest paid for lease liabilities		(75,211)	(75,282)
Repayment of other liabilities		(7,500)	(7,500)
Dividends paid to owners of the Company	16	–	(83,499)
Dividends paid to non-controlling interests		–	(19,125)
Pledged receivables for bank borrowings	29	–	(23,758)
Payments of interest cost for convertible notes		–	(26,099)
Payments of partial redemption/maturity of convertible notes		–	(1,450,283)
Payment for acquisition of additional interests in subsidiaries		(143,523)	–
Proceeds from issue of shares		141,120	–
Net cash (used in)/from financing activities		(3,114,935)	2,989,958
Net (decrease)/increase in cash and cash equivalents		(2,873,710)	3,035,544
Cash and cash equivalents at beginning of the year		4,488,341	1,452,253
Effect of foreign exchange rate changes		38	544
Cash and cash equivalents at end of the year, represented by bank balances, and deposits placed with a related party		1,614,669	4,488,341

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

Amendments to the Classification and Measurement of Financial Instruments³

Amendments to IFRS 9 and IFRS 7

Contracts Referencing Nature-dependent Electricity³

Amendments to IFRS 10 and IAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹

Amendments to

Annual Improvements to IFRS Accounting Standards – Volume 11³

IFRS Accounting Standards

Lack of Exchangeability²

Amendments to IAS 21

Presentation and Disclosure in Financial Statements⁴

IFRS 18

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, 2025.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

Going concern assessment

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of 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, 2024

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 a reporting 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 reporting 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, 2024

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.

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 or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets *(Continued)*

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.

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 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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of:

- (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, 2024

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, 2024

4. MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

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, 2024

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, 2024

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.

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, 2024

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, 2024

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.

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, 2024

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, 2024

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, 2024 was RMB8,657,642,000 (2023: RMB8,385,409,000). 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, 2024, the carrying amounts of property, plant and equipment and right-of-use assets of the Group were RMB15,076,822,000 (2023: RMB15,181,413,000) and RMB3,048,031,000 (2023: RMB2,735,677,000), respectively as disclosed in Notes 17 and 19.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2024, the carrying amount of goodwill was RMB672,014,000 (2023: RMB672,014,000). Details are disclosed in Note 20.

Estimated impairment of interests in associates

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

As at December 31, 2024, the carrying amount of the interests in associates amounted to RMB891,844,000 (2023: RMB1,047,147,000). Details are disclosed in Note 24.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

(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, 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, 2024

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, 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)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2023

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit before tax earned by each segment without allocation of central administration costs, corporate income and expenses, loss arising from changes in fair value less costs to sell of biological assets, fair value gain on financial assets at FVTPL, impairment loss recognised in respect of goodwill, share of loss of a joint venture, share of losses of associates and certain finance costs that are not directly attributable to operating segments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

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

Segment assets and liabilities

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2023					
Amounts included in the measure of segment profit or loss:					
Depreciation and amortisation charged to profit or loss	483,915	60,867	544,782	6,467	551,249
Impairment loss of trade and other receivables under expected credit loss model, net of reversal	1,085	5,544	6,629	–	6,629
Impairment loss of property, plant and equipment	7,879	–	7,879	–	7,879
Impairment loss of investment properties	3,441	–	3,441	–	3,441
Fair value gains on derivative financial instruments	(2,792)	(852)	(3,644)	–	(3,644)
Gains on termination of lease agreements	(1,454)	–	(1,454)	–	(1,454)
Loss on disposal of property, plant and equipment	8,624	9,907	18,531	–	18,531
Interest income	(9,668)	(2,978)	(12,646)	(15,588)	(28,234)
Finance costs	193,617	48,570	242,187	840,405	1,082,592
Income tax expense	2,777	90,611	93,388	–	93,388
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)	8,893,193	80,423	8,973,616	–	8,973,616
Interests in associates	–	–	–	1,047,147	1,047,147
Interest in a joint venture	–	–	–	4,301	4,301
Share of losses of associates	–	–	–	126,559	126,559
Share of loss of a joint venture	–	–	–	541	541

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

Geographic information

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

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

7. COST OF SALES

An analysis of cost of sales is as follows:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

8. OTHER INCOME

An analysis of other income is as follows:

	2024 RMB'000	2023 RMB'000
Government grants released from deferred income (Note 36)	84,819	190,578
Incentive subsidies (Note)	323,733	182,799
Rental income	16,557	19,804
Bank interest income	55,266	22,208
Interest income from Yili Group	9,603	6,026
Income from sale of scrap materials	11,730	11,911
Compensation income	32,858	2,109
Write-back of other payables	4,653	5,003
Others	10,151	13,383
	549,370	453,821

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

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

Details of impairment assessments are set out in Note 43.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

10. OTHER GAINS AND LOSSES

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

Note:

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

11. FINANCE COSTS

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

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, 2024

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	98,847	87,355
(Over)/under provision in prior periods:		
PRC EIT	(6,026)	402
Deferred tax (Note 23)	(5,799)	5,631
	87,022	93,388

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

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

Pursuant to the prevailing tax rules and regulation in the PRC, certain subsidiaries of the Company are exempted from PRC EIT for taxable profit from the operation of agricultural business in the PRC. In addition, certain subsidiaries operating in the PRC, including Inner Mongolia Youran Dairy Co., Ltd., 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% (2023: 25%).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

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

As at December 31, 2024, no deferred tax asset has been recognised in relation to the unused tax losses of the Group's PRC subsidiaries amounted to RMB1,339,466,000 (2023: RMB867,498,000), 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:

	2024 RMB'000	2023 RMB'000
2024	–	36,462
2025	69,017	69,017
2026	102,626	102,626
2027	199,313	199,313
2028	460,080	460,080
2029	508,430	–
	1,339,466	867,498



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

13. LOSS FOR THE YEAR

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 (iii))	Retirement benefit scheme contributions RMB'000	Total RMB'000
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 (Note (i))	–	–	–	–	–
Mr. Yang, Huicheng (Note (i))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	3,139	1,913	88	5,740
Year ended December 31, 2023:					
<i>Executive directors:</i>					
Mr. Yuan Jun	–	1,673	2,000	40	3,713
Mr. Dong Jiping	–	1,104	–	40	1,144
<i>Non-executive directors:</i>					
Mr. Zhang Yujun (Note (ii))	–	–	–	–	–
Mr. Wu Xiang (Note (ii))	–	–	–	–	–
Mr. Xu Jun	–	–	–	–	–
Mr. Xu, Zhan Kevin	–	–	–	–	–
Mr. Qiu Zhongwei	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Ms. Xie Xiaoyan	200	–	–	–	200
Mr. Yao Feng	200	–	–	–	200
Mr. Shen Jianzhong	200	–	–	–	200
	600	2,777	2,000	80	5,457

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

(a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. Wu Xiang resigned as non-executive director and the chairman of the Company on June 14, 2024. Mr. Yang, Huicheng was appointed as non-executive director and Mr. Yuan Jun was appointed as the chairman of the Company on June 14, 2024.
- (ii) Mr. Zhang Yujun resigned as non-executive director and the chairman of the Company on July 28, 2023. Mr. Wu Xiang was appointed as non-executive director and the chairman of the Company on July 28, 2023.
- (iii) 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 (2023: one) director for the year ended December 31, 2024, details of whose remuneration are set out above. The emoluments of the remaining four (2023: four) individuals for the year ended December 31, 2024 are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	4,909	4,385
Performance related bonuses	2,042	1,434
Retirement benefit scheme contributions	177	162
	7,128	5,981

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

	2024	2023
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	3	2
HK\$2,000,001 to HK\$2,500,000	1	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 (2023: Nil). None of the directors and the chief executive has waived or agreed to waive any emoluments for the year (2023: Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

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

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

16. DIVIDEND

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2023	9,596,418	13,186	2,416,286	421,789	184,166	38,153	3,032,215	15,702,213
Additions	59,092	166	737,855	95,337	32,743	–	2,243,684	3,168,877
Disposals	(37,094)	(123)	(22,754)	(13,643)	(12,788)	–	–	(86,402)
Transfer	3,231,060	–	174,821	1,267	6,516	–	(3,413,664)	–
Transferred to intangible assets (Note 21)	–	–	–	–	–	–	(4,025)	(4,025)
At December 31, 2023	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
ACCUMULATED DEPRECIATION:								
At January 1, 2023	1,666,312	2,377	789,538	129,204	91,714	27,892	–	2,707,037
Provided for the year	557,832	747	297,874	49,439	6,465	1,831	–	914,188
Disposals	(17,533)	(4)	(17,467)	(12,576)	(10,459)	–	–	(58,039)
At December 31, 2023	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
ACCUMULATED IMPAIRMENT:								
At January 1, 2023	25,938	–	3,617	11	–	–	–	29,566
Provided for the year	7,844	–	35	–	–	–	–	7,879
Disposals	(1,371)	–	(10)	–	–	–	–	(1,381)
At December 31, 2023	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
CARRYING AMOUNTS:								
At December 31, 2024	11,380,721	9,548	2,642,128	340,968	114,162	4,075	585,220	15,076,822
At December 31, 2023	10,610,454	10,109	2,232,621	338,672	122,917	8,430	1,858,210	15,181,413

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2024, building ownership certificates in respect of certain buildings of the Group with an aggregate carrying amount of RMB76,526,000 (2023: RMB79,073,000) had not been issued by the relevant PRC authorities.

18. INVESTMENT PROPERTIES

	2024 RMB'000	2023 RMB'000
COST:		
At the beginning of the year	54,296	54,296
Transfer from property, plant and equipment (Note 17)	14,497	–
Disposals	(23,274)	–
At the end of the year	45,519	54,296
ACCUMULATED DEPRECIATION:		
At the beginning of the year	27,592	25,663
Provided for the year	1,531	1,929
Transfer from property, plant and equipment (Note 17)	4,444	–
Disposals	(7,973)	–
At the end of the year	25,594	27,592
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	8,259	4,818
Provided for the year	14,209	3,441
Transfer from property, plant and equipment (Note 17)	10,052	–
Disposals	(14,871)	–
At the end of the year	17,649	8,259

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

18. INVESTMENT PROPERTIES *(Continued)*

	2024 RMB'000	2023 RMB'000
CARRYING AMOUNTS:		
At the beginning of the year	18,445	23,815
At the end of the year	2,276	18,445

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, 2023	2,314,113	89,206	52,264	2,455,583
Additions	458,857	47,338	8,559	514,754
Early termination of lease agreements	(26,019)	–	–	(26,019)
Depreciation provided for the year	(164,068)	(28,047)	(7,653)	(199,768)
Sublease classified as a finance lease	(8,873)	–	–	(8,873)
Carrying amounts as at December 31, 2023	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Expense relating to short-term leases*	39,526	21,194
Variable lease payments not included in the measurement of lease liabilities* (Note)	12,303	8,834
Total cash outflow for leases	245,527	223,376

* 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 RMB2,236,807,000 (as at December 31, 2023: RMB1,822,701,000) were recognised with related right-of-use assets with an aggregate carrying amount of RMB2,284,409,000 (as at December 31, 2023: RMB1,923,109,000) as at December 31, 2024. 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. GOODWILL

	2024 RMB'000	2023 RMB'000
COST:		
At the beginning and the end of the year	792,980	792,980
ACCUMULATED IMPAIRMENT:		
At the beginning of the year	120,966	–
Provided for the year	–	120,966
At the end of the year	120,966	120,966
CARRYING AMOUNT:		
At beginning of the year	672,014	792,980
At 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 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) ("SKX", together with its subsidiaries, 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.

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 12.9% (2023: 13%). The cash flows beyond the five-year period are extrapolated using 2.0% growth rate per annum (2023: 2.5%). 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

20. GOODWILL *(Continued)*

(i) SKX Group

During the year ended December 31, 2024, management of the Group determines that there is no impairment on SKX Group (2023: impairment loss of RMB120,966,000).

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.

As at December 31, 2023, if the discount rate was changed to 12.72%, while other parameters remain constant, the recoverable amount of SKX Group would equal to its carrying amount before impairment and no impairment loss of goodwill will be recognised. If the growth rate beyond the five-year period was changed to 2.20%, while other parameters remain constant, the recoverable amount of SKX Group would be reduced to RMB3,399,417,000 and a further impairment loss of goodwill of RMB90,611,000 would be recognised.

(ii) Fonterra China Farms Group

During the years ended December 31, 2024 and 2023, 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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

21. INTANGIBLE ASSETS

	Computer software RMB'000	Patents RMB'000	Total RMB'000
COST:			
At January 1, 2023	27,095	733	27,828
Additions	402	–	402
Transferred from property, plant and equipment (Note 17)	4,025	–	4,025
At December 31, 2023	31,522	733	32,255
Additions	4,787	–	4,787
Disposal	–	(733)	(733)
At December 31, 2024	36,309	–	36,309
ACCUMULATED AMORTISATION:			
At January 1, 2023	4,149	516	4,665
Provided for the year	2,238	174	2,412
At December 31, 2023	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
CARRYING AMOUNTS:			
At December 31, 2024	26,540	–	26,540
At December 31, 2023	25,135	43	25,178

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

	31/12/2024 Heads	31/12/2023 Heads
Dairy cows:		
Calves and heifers	296,660	298,531
Milkable cows	324,908	284,208
Feeder cattle	145	60
Breeding stock:		
Breeding bulls	112	101
Breeding goats, young male goats and male goat lambs	590	88
Dairy goats:		
Milkable goats	6,876	–
Young female goats and female goat lambs	12,288	7,707
Total	641,579	590,695

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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 of the Group's biological assets

	For the year ended December 31, 2024	For the year ended December 31, 2023
Volume of raw milk produced for sale (Ton) (Note)	3,669,563	2,945,840
Volume of breeding products produced for sale (Straw/unit)	1,144,814	1,368,707

Note:

The production volume of raw milk 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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Dairy cows:		
Calves and heifers	6,294,224	6,051,392
Milkable cows	8,657,642	8,385,409
Feeder cattle	250	212
Breeding stock:		
Breeding bulls and others	122,995	56,507
Breeding goats, young male goats and male goat lambs	7,888	1,379
Dairy goats:		
Milkable goats	105,424	–
Young female goats and female goat lambs	176,780	111,211
Total	15,365,203	14,606,110
Less: current portion classified under current assets	(250)	(212)
Non-current portion classified under non-current assets	15,364,953	14,605,898

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 RMB'000	Dairy goats RMB'000	Total non- current assets RMB'000	Feeder cattle RMB'000
At January 1, 2023	5,931,614	7,204,357	85,447	–	–	13,221,418	8,490
Purchase cost	376,129	37,931	8,863	1,129	81,978	506,030	–
Feeding and other related costs	5,522,448	–	6,151	472	29,329	5,558,400	14,210
Transfer	(5,237,576)	5,237,793	–	–	–	217	(217)
Decrease due to disposal/death	(86,556)	(982,095)	(1,641)	(32)	(708)	(1,071,032)	(18,135)
(Loss)/gain arising from changes in fair value less costs to sell of biological assets	(454,667)	(3,112,577)	(42,313)	(190)	612	(3,609,135)	(4,136)
At December 31, 2023	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

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

22. BIOLOGICAL ASSETS (Continued)

C – Value of biological assets (Continued)

The aggregate gain arising on initial recognition of agricultural produce (including raw milk, raw 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:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	4,468,909	3,275,246
Loss arising from changes in fair value less costs to sell of biological assets	(3,921,360)	(3,613,271)

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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deferred tax assets	46,778	35,388
Deferred tax liabilities	(11,449)	(7,292)
	35,329	28,096

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, 2023	18,988	1,165	4,192	(6,192)	-	-	-	-	-	18,153
(Charged)/credited to profit or loss	(9,304)	3,186	160	277	1,427	(1,377)	-	-	-	(5,631)
Credited to other comprehensive income	-	-	-	-	-	-	15,574	-	-	15,574
At December 31, 2023	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

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

23. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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, 2024 no deferred tax liability (2023: 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, 2024, 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 RMB7,665,901,000 (2023: RMB6,473,089,000).

24. INTERESTS IN ASSOCIATES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Cost of investment in associates	1,098,386	1,098,386
Share of post-acquisition loss	(241,756)	(162,090)
Exchange adjustments	124,178	110,851
Impairment	(88,964)	—
	891,844	1,047,147

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 activity
Wholesome Harvest Limited ("Wholesome") (Note i)	Cayman Islands	PRC	27.16%	27.16%	Raising and breeding dairy cows and raw milk production
Jiangsu Nongken Youran Dairy Co., Ltd. ("Jiangsu Nongken") (Note ii)	PRC	PRC	20.00%	20.00%	Raising and breeding dairy cows and raw milk production

Notes:

- On March 2, 2022, the Company entered into a sale and purchase agreement with Ye Gu Investment Company Limited (the "Seller") and Mr. Zhang Jianshe, the sole shareholder of the Seller, pursuant to which the Company conditionally agreed to purchase, and the Seller conditionally agreed to sell approximately 27.16% of the total issued share capital in Wholesome, which wholly owns China Zhong Di Dairy Holdings Company Limited, at a total consideration of HK\$1,206,380,000 (equivalent to approximately RMB978,386,000). The transaction was completed on March 31, 2022. The directors of the Company consider that the Group is able to exercise significant influence over Wholesome and Wholesome is therefore accounted for as an associate of the Group.
- During the year ended December 31, 2022, the Group made capital contribution of RMB120,000,000 in the establishment of Jiangsu Nongken, over which the Group is able to exercise significant influence and Jiangsu Nongken is therefore accounted for as an associate of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	898,519	1,055,681
Non-current assets	4,209,646	4,260,637
Current liabilities	(2,738,781)	(2,694,913)
Non-current liabilities	(185,012)	(209,412)

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Revenue	1,871,418	2,068,564
Loss for the year	(227,620)	(430,135)
Total comprehensive expense for the year	(227,620)	(430,135)

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Net assets of Wholesome	2,184,372	2,411,993
Proportion of the Group's ownership interest in Wholesome	27.16%	27.16%
The Group's share of net assets of Wholesome	593,275	655,097
Goodwill	82,428	171,392
Exchange difference	124,178	110,851
Carrying amount of the Group's interest in Wholesome	799,881	937,340

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

25. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2024 RMB'000	31/12/2023 RMB'000
Unlisted equity investments in the PRC, at fair value	11,766	18,728

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 loss of RMB6,962,000 (2023: RMB9,338,000) was recorded and charged to other comprehensive income.

26. INVENTORIES

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

27. TRADE RECEIVABLES

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

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

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

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

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

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

28. CONTRACT ASSETS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Dairy farm equipment:		
Classified under current assets	800	2,278

As at January 1, 2023, contract assets amounted to RMB7,116,000.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Note:

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

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

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, 2024

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Negotiable certificate of deposits with certain banks, at fair value	53,057	–

During 2024 and 2023, the Group invested in certain negotiable certificate of deposits with certain banks in PRC. As at December 31, 2024, the deposits carry fixed-interest rate of 3.10% (December 31, 2023: nil) 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

Bank balances carry interest at prevailing market rates which range from 0.10% to 1.61% per annum as at December 31, 2024 (2023: 0.01% to 1.80%).

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Deposits pledged to banks to secure banking facilities granted to the Group:		
Bills payable (Note 41)	6,287	5,153
Restricted bank deposits (Note)	124,467	141,874
	130,754	147,027
Less: classified under current assets	(115,821)	(134,087)
Non-current portion	14,933	12,940

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 0.10% to 3.03% per annum as at December 31, 2024 (2023: 0.20% to 3.03% per annum).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

32. TRADE AND BILLS PAYABLES

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

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

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

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

33. OTHER PAYABLES AND ACCRUALS

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



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

34. CONTRACT LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Receipts in advance from customers for:		
Sales of raw milk	14	13
Sales of feeds	7,290	14,090
Sales of ruminant farming products	1,322	4,685
Sales of breeding products	2,163	4,944
Sales of feeder cattle	19,543	7,499
	30,332	31,231

As at January 1, 2023, contract liabilities amounted to RMB41,895,000.

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

	31/12/2024 RMB'000	31/12/2023 RMB'000
Bank borrowings:		
Unsecured	23,169,645	24,823,071
Secured (Note (i))	856,388	1,213,390
Other borrowings (Note (ii))	230,369	223,127
	24,256,402	26,259,588
Fixed rate borrowing	6,659,568	7,364,111
Floating rate borrowing	17,596,834	18,895,477
	24,256,402	26,259,588
The carrying amounts of the above borrowings are repayable:		
Within one year	16,709,437	16,433,086
More than one year but within two years	2,108,005	3,851,780
More than two years but within five years	4,241,060	4,147,876
More than five years	1,197,900	1,826,846
	24,256,402	26,259,588
Less: Amounts due within one year shown under current liabilities	(16,709,437)	(16,433,086)
Amounts shown under non-current liabilities	7,546,965	9,826,502

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

35. BANK AND OTHER BORROWINGS (Continued)

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

	2024 %	2023 %
Effective interest rates:		
Floating rate borrowing	1.92 to 6.80	1.95 to 6.80
Fixed rate borrowing	2.00 to 3.91	2.10 to 4.00

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 are secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group.
- (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) During the current year, 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.

The Group has informed the lenders and commenced renegotiation of the terms of the borrowings with the relevant bankers. Up to the date of approval for issuance of these consolidated financial statements, a bank borrowing of RMB50,000,000 had been renewed with a revised covenant. For all other borrowings, and the Group has reached waiver agreements or remedial measures with the respective lenders.

36. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Balance at beginning of the year	728,211	619,510
Government grants received	171,963	299,279
Released to other income (Note 8)	(84,819)	(190,578)
Released to finance cost	(455)	—
Balance at end of the year	814,900	728,211

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 grant received for purchase of biological assets measured at fair value less costs to sell. The amount is recognised in profit or loss when the conditions attaching to the government grant are met.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

37. LEASE LIABILITIES

	31/12/2024 RMB'000	31/12/2023 RMB'000
Lease liabilities payable:		
Within one year	248,410	220,788
Within a period of more than one year but not more than two years	328,183	141,158
Within a period of more than two years but not more than five years	361,685	349,249
Within a period of more than five years	1,298,529	1,111,506
	2,236,807	1,822,701
Less: Amount due for settlement within 12 months shown under current liabilities	(248,410)	(220,788)
Amount due for settlement after 12 months shown under non-current liabilities	1,988,397	1,601,913

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, 2024, the weighted average incremental borrowing rate applied ranging from 2.60% to 5.25% (2023: 2.93% 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.

38. OTHER PROVISIONS

	31/12/2024 RMB'000	31/12/2023 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	–
	26,403	19,807
Classified under non-current liability:		
Provision for land rehabilitation	25,311	22,535
	25,311	22,535

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2023, December 31, 2023 and 2024	10,000,000,000	100,000	691
Issued and fully paid:			
At January 1, 2023, December 31, 2023	3,795,404,000	37,954	251
Issue of shares (Note)	97,323,833	973	7
At December 31, 2024	3,892,727,833	38,927	258

Note:

On February 19, 2024, the Company and its subsidiary, Inner Mongolia Youran entered into the agreements with China Genetics Holdings, Ltd. ("China Genetics") and its subsidiary, Huaxia Genetics Dairy Xinghua Co., Ltd. (華夏基耐乳業興化有限公司) ("Huaxia Genetics"). Pursuant to the agreements, (1) the Company conditionally agreed to allot and issue not more than 97,323,833 subscription shares at the subscription price of RMB1.45 per share to China Genetics; and (2) Inner Mongolia Youran conditionally agreed to purchase 78,100,000 issued shares of SKX from Huaxia Genetics, representing approximately 8.50% of the total issued shares of SKX, with the consideration of RMB142,923,000.

On July 12, 2024, all of the conditions precedent for the above share subscription and share transfer have been fulfilled and the above transaction has been completed.

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, 2024 and 2023, 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, 2024 and 2023 under such scheme which may be used by the Group to reduce the contribution payable in future years.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

41. PLEDGE OF ASSETS

Certain of the Group's bank borrowings and bills payable had been secured by 51.73% equity interest of SKX, 60.59% and 61.44% equity interests of two wholly-owned subsidiaries of the Group and certain assets with carrying amounts as follows:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Pledged bank deposits (Note 31)	6,287	5,153
	6,287	5,153

42. CATEGORIES OF FINANCIAL INSTRUMENTS

	31/12/2024 RMB'000	31/12/2023 RMB'000
Financial assets		
Financial assets at amortised cost	3,854,257	6,616,275
Equity instruments at FVTOCI	11,766	18,728
Debt instruments at FVTOCI	–	4,323
Financial assets at FVTPL	53,057	–
Financial liabilities		
Financial liabilities at amortised cost	27,971,086	30,135,666

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, 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 bank and other borrowings. Details of these financial instruments 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Assets:		
Bank balances denominated in USD	3,393	2,835
Bank balances denominated in HK\$	104	318
Liabilities:		
Intra-group balances of the Company denominated in RMB	44,490	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 2024 would increase/decrease by RMB87,787,000 (2023: increase/decrease by RMB94,229,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 receivables from a related party of RMB1,347,249,000 as at December 31, 2024 (as at December 31, 2023: RMB1,091,975,000), 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, 2024

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 and deposits placed with a related party

The credit risk on bank balances, pledged and restricted bank 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, 2024

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				2024	2023
				RMB'000	RMB'000
Financial assets at amortised cost					
Trade receivables (Note)	27	Low risk	Lifetime ECL (provision matrix)	633,043	742,430
		Loss	Credit-impaired (assessed individually)	133,300	105,039
				766,343	847,469
Deposits and other receivables	29	Low risk	12-month ECL	62,270	89,004
		Loss	Credit-impaired	9,151	8,310
				71,421	97,314
Amounts due from related parties-trade in nature	45	Low risk	Lifetime ECL (assessed individually)	1,354,848	1,099,751
Amounts due from related parties-non-trade in nature	45	Low risk	12-month ECL	73	81
Pledged and restricted bank deposits	31	Low risk	12-month ECL	130,754	147,027
Bank balances	31	Low risk	12-month ECL	829,310	3,935,982
Deposits placed with a related party	45	Low risk	12-month ECL	785,359	552,359
Debt instruments at FVTOCI					
Bills receivable		Low risk	12-month ECL	–	4,323
Other item					
Contract assets (Note)	28	Low risk	Lifetime ECL (provision matrix)	800	2,278

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, 2024

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.

	31/12/2024 RMB'000	31/12/2023 RMB'000
Within 90 days	552,697	691,569
90 days to 1 year	80,346	50,861
Total	633,043	742,430

The average loss rate as at December 31, 2024 is ranging from 1.54% to 7.52% (2023: 1.81% to 8.75%) 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, 2023	24,371	84,882	109,253
Changes for trade receivables recognised as at January 1, 2023:			
Impairment loss recognised	–	30,161	30,161
Impairment loss reversed	(23,092)	(20,924)	(44,016)
Write-offs	–	(57,826)	(57,826)
Transfer	(1,279)	1,279	–
New trade receivables originated	13,476	4,350	17,826
As at December 31, 2023	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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

Credit risk and impairment assessment *(Continued)*

During the year ended December 31, 2024, the Group reversed RMB689,000 (2023: provided RMB9,616,000) impairment allowance for trade receivables based on the provision matrix. Additional impairment allowance of RMB24,115,000 (2023: RMB13,587,000) were assessed individually and provided on credit-impaired debtors for the year ended December 31, 2024.

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, 2023	5,659
Changes for other receivables recognised as at January 1, 2023:	
Impairment loss recognised	3,413
Impairment loss reversed	(755)
Write-offs	(7)
As at December 31, 2023	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

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, 2024

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 RMB12,753,694,000 as at December 31, 2024, 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, 2024 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, 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, 2024. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, the available unutilised banking facilities obtained and renewal of certain bank borrowings. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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, 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
As at December 31, 2023							
Trade and bills payables	–	2,113,192	–	–	–	2,113,192	2,113,192
Other payables and accruals	–	1,676,299	–	–	–	1,676,299	1,676,299
Amounts due to related parties	–	79,277	–	–	–	79,277	79,277
Bank and other borrowings:							
Fixed-rate	2.10-4.00	6,360,075	323,035	634,794	206,914	7,524,818	7,364,111
Floating-rate	1.95-6.80	10,701,789	3,747,878	3,783,681	1,671,903	19,905,251	18,895,477
Lease liabilities	2.93-5.25	227,525	151,658	425,702	2,245,171	3,050,056	1,822,701
Other liabilities	5.30	7,500	–	–	–	7,500	7,310
		21,165,657	4,222,571	4,844,177	4,123,988	34,356,393	31,958,367

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, 2024

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. Where Level 1 inputs are not available, 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.

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.

	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 (Note (c))	—	—	250	250
Breeding bulls and others (Note (d))	—	—	122,995	122,995
Dairy goats (Note (e))	—	—	282,204	282,204
Breeding goats, young male goats and male goat lambs (Note (f))	—	—	7,888	7,888
Equity instruments at FVTOCI (Note (h))	—	—	11,766	11,766
Financial assets at FVTPL (Note (i))	—	53,057	—	53,057
	—	53,057	15,376,969	15,430,026

	Fair value hierarchy			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2023				
<u>Assets</u>				
Biological assets:				
Calves and heifers (Note (a))	—	—	6,051,392	6,051,392
Milkable cows (Note (b))	—	—	8,385,409	8,385,409
Feeder cattle (Note (c))	—	—	212	212
Breeding bulls and others (Note (d))	—	—	56,507	56,507
Dairy goats (before production of milk) (Note (e))	—	—	111,211	111,211
Breeding goats, young male goats and male goat lambs (Note (f))	—	—	1,379	1,379
Debt instruments at FVTOCI (Note (g))	—	4,323	—	4,323
Equity instruments at FVTOCI (Note (h))	—	—	18,728	18,728
	—	4,323	14,624,838	14,629,161

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 RMB22,600 to RMB24,500 per head as at December 31, 2024 (2023: RMB23,300 to RMB24,700). 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 RMB18,475 to RMB20,727 as at December 31, 2024 (2023: RMB20,835 to RMB22,441). 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 RMB14,225 to RMB17,752 as at December 31, 2024 (2023: RMB15,337 to RMB17,512).	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, 2024

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 RMB2.00 to RMB2.85 as at December 31, 2024 (2023: RMB2.36 to RMB3.21), 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 17.22 kg to 36.69 kg as at December 31, 2024 (2023: 17.03 kg to 35.28 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 RMB3,580 to RMB5,810 per tonne as at December 31, 2024 (2023: RMB4,020 to RMB6,280 per tonne), taking into account management's experience and knowledge of market conditions. Discount rate for estimated future cash flows used is 12.9% as at December 31, 2024 (2023: 13%), 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, 2024

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 – Feeder cattle	Feeder cattle mainly include bull calves for sale. The fair value of 10 days calf is determined by reference to the local market selling price. The fair value of calves is at age group less than 10 days 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 10 days. Conversely, the fair values of calves at age group older than 10 days are determined by adding the estimated feeding costs required to raise the calves from 10 days old to their respective age at the end of the reporting period.	Estimated local market selling prices of the 10 days calf are RMB1,059 per head as at December 31, 2024 (2023: RMB3,068 per head). Estimated feeding costs per head daily for calves are RMB32.36 as at December 31, 2024 (2023: RMB26.77).	An increase in the estimated local market selling prices of 10 days calves used would result in an increase in the fair value measurement of bull calves, and vice versa. An increase in the estimated feeding costs would normally be required by a raiser used would result in an increase/decrease in the fair value measurement of bull calves older/younger than 10 days old, and vice versa.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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 – Breeding bulls and others	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 RMB48 as at December 31, 2024 (2023: RMB51 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 RMB139 per straw as at December 31, 2024 (2023: RMB117 per straw). Estimated local future market prices for conventional frozen bovine semen are RMB24 per straw as at December 31, 2024 (2023: RMB19 per straw). Discount rate for estimated future cash flow used is 12.9% as at December 31, 2024 (2023: 13%) 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, 2024

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)	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 older than 8 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.	Estimated market selling prices of the dairy goats of 8 months old are RMB11,213 per head as at December 31, 2024 (2023: RMB10,802). 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 RMB3,279 as at December 31, 2024 (2023: RMB5,701). Estimated feeding costs per head plus margin that would normally be required by a raiser for dairy goats older than 8 months old are RMB4,119 as at December 31, 2024 (2023: RMB3,754).	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.



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
(f)	Biological assets – Breeding goats, young male goats and male goat lambs	The fair value of 10 months old breeding goats is determined by reference to the market selling price. The fair values of breeding goats younger than 10 months are determined by subtracting the estimated feeding costs required to raise the breeding goats to 10 months old from their respective age at the end of the reporting period plus the margins that would normally be required by a raiser. The fair values of breeding goats older than 10 months are determined by adding the estimated feeding costs required to raise the breeding goats from 10 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 market selling prices of the breeding goats of 10 months old are RMB11,076 per head at December 31, 2024 (2023: RMB12,546). Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats younger than 8 months old (i.e. from born to 8 months) are RMB3,949 as at December 31, 2024 (2023: RMB5,701). Estimated feeding costs per head plus margin that would normally be required by a raiser for breeding goats older than 10 months are RMB3,869 as at December 31, 2024 (2023: RMB3,124).	An increase in the estimated local market selling price used would result in an increase in the fair value measurement of breeding 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 a increase/decrease in the fair value measurement of breeding goats older/younger 10 months, and vice versa.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
(g)	Debt instruments at FVTOCI: Bills receivable	Discounted 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
(h)	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 RMB35,000 as at December 31, 2024 (December 31, 2023: RMB119,000), vice versa.
(i)	Financial assets at FVTPL: Negotiable certificate of deposits	Discounted 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

For the year ended December 31, 2024

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, 2023	28,066
Fair value changes during the year	(9,338)
At December 31, 2023	18,728
Fair value changes during the year	(6,962)
At December 31, 2024	11,766

The fair value changes for equity instruments at FVTOCI during the year ended December 31, 2024 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Sales of raw milk to Yili Group	(a)	14,322,781	12,447,239
Sales of feeds to Yili Group	(a)	139,749	171,542
Sales of ruminant farming products to Yili Group	(a)	2,293	449
Sales of breeding products to Yili Group	(a)	10,875	14,063
Purchase of raw materials from Yili Group	(a)	48,099	38,955
Purchase of shared financial services from Yili Group	(b)	10,765	11,149
Purchase of other service and materials from Yili Group		4,920	9,688
Other service to Yili Group	(a)	3,296	4,294
Interest income from Yili Group	(f)	9,603	6,026

Transactions with Jiangsu Nongken

	Note	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Sales of feeds to Jiangsu Nongken	(a)	35,362	34,725
Sales of breeding products to Jiangsu Nongken	(a)	1,370	880
Sales of ruminant farming products to Jiangsu Nongken	(a)	780	276
Other service to Jiangsu Nongken	(a)	207	192

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

45. RELATED PARTY TRANSACTIONS (Continued)

Balances with Yili Group

	Notes	31/12/2024 RMB'000	31/12/2023 RMB'000
Amounts due from related parties:			
Trade receivables from Yili Group	(c)	1,347,249	1,091,975
Prepayments to Yili Group		–	13
		1,347,249	1,091,988
Amounts due to related parties:			
Trade payables to Yili Group	(d)	12,899	8,969
Trade payables to suppliers factored to Yili Group	(e)	139,061	70,308
Deposits placed with Yili Finance Company Limited	(f)	785,359	552,359

Balances with Jiangsu Nongken

	Note	31/12/2024 RMB'000	31/12/2023 RMB'000
Amounts due from related parties:			
Trade receivables from Jiangsu Nongken	(c)	7,599	7,776
Other receivables from Jiangsu Nongken		73	81
		7,672	7,857

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, 2024, 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 raw materials from Yili Group, which aged within one year at the end of the reporting period.
- (e) During years ended December 31, 2024 and 2023, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

45. RELATED PARTY TRANSACTIONS (Continued)

Settlement arrangements with Yili Group

	Note	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Trade receivables from the sale of feeds and breeding products settled on behalf by Yili Group	(g)	575,396	925,342

Note:

- (g) 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:

	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Salaries and allowances	18,631	14,485
Retirement benefit scheme contributions	506	403
	19,137	14,888

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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	Convertible notes RMB'000	Total RMB'000
At January 1, 2023	1,556,991	20,559,056	14,252	1,206,200	23,336,499
Financing cash flows	(183,088)	4,783,310	(7,500)	(1,438,408)	3,154,314
New leases entered	400,989	–	–	–	400,989
Finance costs	75,282	850,078	558	216,347	1,142,265
Loss on partial redemption	–	–	–	918	918
Early termination of lease agreements	(27,473)	–	–	–	(27,473)
Effect of foreign exchange rate changes	–	67,144	–	14,943	82,087
At December 31, 2023	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

Major non-cash transactions

Lease liabilities for leasehold lands, properties, machinery and equipment with a total amount of RMB531,646,000 (2023: RMB400,989,000) were recognised and the corresponding amount of RMB531,646,000 (2023: RMB400,989,000) were recognised as right-of-use assets during the year ended December 31, 2024.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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:

	31/12/2024 RMB'000	31/12/2023 RMB'000
Capital expenditures in respect of acquisition of property, plant and equipment, and purchase of biological assets: Contracted but not provided in the consolidated financial statements	949,230	1,617,469

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, 2024

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
				2024 %	2023 %	
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
內蒙古伊禾緣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
American Western Prataculture Corp. (美國西部草業有限公司)	Delaware, United States of America	United States of America	–	100	100	Inactive
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
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
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, 2024

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
				2024 %	2023 %	
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
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
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
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
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
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
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	RMB125,000,000	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
山西優然牧業有限責任公司 (Shanxi Youran Dairy 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 Dairy 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 Dairy 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 Dairy 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
內蒙古敕勒川旅遊文化有限公司 (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, 2024

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
				2024 %	2023 %	
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	RMB37,850,000/ RMB50,000,000	100	N/A	Raising and breeding dairy cows and raw milk production
SKX	PRC	PRC	RMB918,600,000	66.86	58.36	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	58.36	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	58.36	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	RMB74,200,000	66.86	58.36	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	58.36	Raising and breeding dairy cows, and raw milk production



Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
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	58.36	Raising and breeding dairy cows, and raw milk production
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	58.36	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	RMB45,000,000	66.86	58.36	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	58.36	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	58.36	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	58.36	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
達拉特旗賽優牧業有限公司 (Dalateqi Saiyou Dairy Co., Ltd.*) ("Dalateqi Saiyou")	PRC	PRC	RMB100,000,000	66.86	58.36	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	58.36	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	58.36	Raising and breeding dairy cows, and raw milk production
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	58.36	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	58.36	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	58.36	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	58.36	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	58.36	Raising and breeding dairy cows, and raw milk production

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

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
				2024 %	2023 %	
清水河賽科星牧業有限責任公司 (Qingshuihe SK Xing Dairy Co., Ltd.*)	PRC	PRC	RMB40,000,000	66.86	58.36	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	58.36	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 PRC Co., Ltd.*)		PRC	-RMB7,000,000	66.86	58.36	Raising and breeding livestock, and cloning technology development

* 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, 2024 (2023: 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	
		31/12/2024	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2023
				RMB'000	RMB'000	RMB'000	RMB'000
SKX Group	The PRC	33.14%	41.64%	(170,597)	(402,912)	864,512	1,267,977

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

50. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

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.

	31/12/2024 RMB'000	31/12/2023 RMB'000
Current assets	1,996,465	1,839,289
Non-current assets	7,040,962	7,125,042
Current liabilities	(4,786,673)	(3,983,848)
Non-current liabilities	(1,555,820)	(1,938,480)
Net assets	2,694,934	3,042,003
Equity attributable to owners of the Company	1,830,422	1,774,026
Non-controlling interests of SKX Group	864,512	1,267,443
Non-controlling interests of SKX's subsidiary	–	534
	2,694,934	3,042,003
	For the year ended December 31, 2024 RMB'000	For the year ended December 31, 2023 RMB'000
Revenue	3,685,344	3,624,896
Expenses	(4,027,756)	(4,504,102)
Loss for the year	(342,412)	(879,206)
Other comprehensive (expense)/income	(4,057)	6,319
Total comprehensive expense for the year	(346,469)	(872,887)
Loss for the year attributable to:		
Owners of the Company	(171,815)	(476,294)
Non-controlling interests of SKX Group	(170,597)	(402,912)
	(342,412)	(879,206)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(174,423)	(472,606)
Non-controlling interests of SKX Group	(172,046)	(400,281)
	(346,469)	(872,887)
Net cash inflows/(outflows) from:		
Operating activities	1,090,847	1,020,972
Investing activities	(1,250,095)	(1,023,662)
Financing activities	528,309	103,278
	369,061	100,588

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2024 RMB'000	31/12/2023 RMB'000
Non-current assets		
Interests in a subsidiary	11,084,968	10,921,726
Interests in an associate	799,881	937,340
	11,884,849	11,859,066
Current assets		
Amounts due from a subsidiary	6,532	4,390
Bank balances and cash	2,435	2,582
	8,967	6,972
Current liabilities		
Amounts due to a subsidiary	44,490	44,490
Other payables and accruals	350	1,617
Bank borrowings	4,133,195	5,258,807
	4,178,035	5,304,914
Net current liabilities	(4,169,068)	(5,297,942)
Non-current liability		
Bank borrowings	1,437,680	–
	1,437,680	–
Net assets	6,278,101	6,561,124
Capital and reserves		
Share capital	258	251
Reserves	6,277,843	6,560,873
Total equity	6,278,101	6,561,124

Notes to the Consolidated Financial Statements

For the year ended December 31, 2024

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Reserves of the Company

	Share premium RMB'000	Convertible notes equity reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Total RMB'000
At January 1, 2023	7,349,088	677,081	478,418	(1,324,559)	–	7,180,028
Profit/(loss) and total comprehensive income/(expense) for the year	–	–	116,911	(614,593)	–	(497,682)
Partial redemption/maturity of convertible notes	–	(677,081)	–	–	639,107	(37,974)
Dividends paid to owners of the Company	(83,499)	–	–	–	–	(83,499)
At December 31, 2023	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	7,265,589	–	688,650	(2,456,616)	780,220	6,277,843

52. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from December 31, 2024 to the approval date of these consolidated financial statements by the Board on March 28, 2025.

Five-Year Financial Summary

	For the year ended December 31,				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	20,096,160	18,693,896	18,050,761	15,346,167	11,781,195
Cost of sales	(18,782,079)	(17,499,357)	(16,958,848)	(14,333,273)	(11,048,726)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	4,468,909	3,275,246	3,131,809	3,681,585	2,870,723
Gross profit	5,782,990	4,469,785	4,223,722	4,694,479	3,603,192
Loss arising from changes in fair value less costs to sell of biological assets	(3,921,360)	(3,613,271)	(1,617,116)	(407,440)	(413,784)
Other income	549,370	453,821	362,890	151,974	76,979
Impairment loss under expected credit loss model, net of reversal	(24,473)	(6,629)	(32,739)	(12,438)	(45,083)
Impairment loss recognised for goodwill	–	(120,966)	–	–	–
Impairment loss recognised for property, plant and equipment and right-of-use assets	(512,850)	(7,879)	–	–	–
Other gains and losses	(102,152)	143,430	47,999	(52,618)	(54,273)
Fair value loss on convertible notes	–	–	–	(132,910)	(10,769)
Selling and distribution expenses	(632,290)	(619,566)	(590,016)	(556,699)	(453,116)
Administrative expenses	(806,677)	(778,154)	(721,535)	(835,399)	(744,516)
Other expenses	(122,881)	(70,383)	(64,923)	(3,348)	(20,030)
Listing expenses	–	–	–	(17,848)	(34,365)
Share of loss of an associate	(79,666)	(126,559)	(35,531)	–	–
Share of (loss)/profit of a joint venture	(989)	(541)	4	23	25
Finance costs	(903,487)	(1,082,592)	(1,097,485)	(732,443)	(309,825)
(Loss)/profit before tax	(774,465)	(1,359,504)	475,270	2,095,333	1,594,435
Income tax expense	(87,022)	(93,388)	(69,284)	(74,117)	(53,805)
(Loss)/profit for the year	(861,487)	(1,452,892)	405,986	2,021,216	1,540,630
(Loss)/profit for the year attributable to:					
Owners of the Company	(690,890)	(1,049,980)	414,771	1,558,016	1,340,735
Non-controlling interests	(170,597)	(402,912)	(8,785)	463,200	199,895
	(861,487)	(1,452,892)	405,986	2,021,216	1,540,630

	As of December 31,				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	43,656,667	46,199,728	43,446,317	31,961,639	22,200,943
Total liabilities	31,496,909	33,101,033	28,695,188	17,081,728	13,139,407
Total equity	12,159,758	13,098,695	14,751,129	14,879,911	9,061,536
Attributable to:					
Owners of the Company	11,295,246	11,830,718	13,063,746	13,180,911	7,820,208
Non-controlling interests	864,512	1,267,977	1,687,383	1,699,000	1,241,328

Definitions

"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 with effect from May 27, 2022, as amended from time to time
"AGM"	the annual general meeting of the Company to be held on Friday, May 23, 2025
"Audit Committee"	the audit committee of the Company
"Auditor"	Messrs. Deloitte Touche Tohmatsu
"Board" or "Board of Directors"	the board of Directors
"Bright Dairy"	the group of companies comprising Bright Dairy & Food Co., Ltd. (光明乳業股份有限公司), a company incorporated in the PRC, and its subsidiaries, as a group being one of our customers
"China" or the "PRC"	the People's Republic of China, and for the purpose of this annual report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"CNAS"	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
"Company" or "our Company"	China Youran Dairy Group Limited (中國優然牧業集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on August 21, 2020
"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
"Convertible Notes"	the convertible notes issued by the Company to each of the noteholders, particulars of which are set out in the Prospectus
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"CTC"	China Testing & Certification International Group Co., Ltd. (中國國檢測試控股集團股份有限公司)



Definitions

"Dairy Products Purchase Framework Agreement"	the dairy products purchase framework agreement dated May 17, 2021 entered into between the Company and Yili
"Director(s)"	the director(s) of our Company
"Financial Services Framework Agreement"	the financial services framework agreement entered into between the Company and Yili Finance Company on September 28, 2021
"Global Offering"	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
"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, as a group being one of our customers
"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 15, 2025, being the latest practicable date for ascertaining certain information in this annual report before its publication
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	June 18, 2021, on which dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules

Definitions

"National Administration of Financial Regulation"	a comprehensive financial regulatory agency directly under the State Council, which is responsible for the supervision and management of banking, insurance, securities, funds, Internet finance and other fields
"Nomination Committee"	the nomination committee of the Company
"Non-IFRSs Measures"	non-IFRSs measures
"Period of 2022"	the year ended December 31, 2022
"Period of 2023"	the year ended December 31, 2023
"Purchase and Sale Framework Agreement"	the products and services purchase and sale framework agreement regarding comprehensive ruminant farming solutions entered by the Company and YouYuan Farm on November 28, 2022
"Prospectus"	the prospectus of the Company dated June 7, 2021
"Raw Milk Purchase and Sale Framework Agreement"	the raw milk purchase and sale framework agreement dated May 17, 2021 entered into between the Company and Yili
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2024
"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
"SOP"	Standard Operation Procedure
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"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
"TMR"	Total Mixed Ration
"TPM"	Total Productive Maintenance
"treasury share(s)"	has the meaning ascribed thereto under the Listing Rules which came into effect on June 11, 2024
"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
"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
"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 a wholly-owned subsidiary of Yili and as to 27.16% by the Company indirectly
"%"	per cent



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.



Contents

2	CORPORATE INFORMATION
4	HIGHLIGHTS
6	PRESIDENT'S STATEMENT
9	DISTRIBUTION MAP OF PRODUCTION BASES
10	AWARDS AND RECOGNITION
12	MANAGEMENT DISCUSSION AND ANALYSIS
36	REPORT OF DIRECTORS
52	BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
58	CORPORATE GOVERNANCE REPORT
76	INDEPENDENT AUDITOR'S REPORT
80	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
81	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
83	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
84	CONSOLIDATED STATEMENT OF CASH FLOWS
86	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
184	FIVE-YEAR FINANCIAL SUMMARY
185	DEFINITIONS



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.

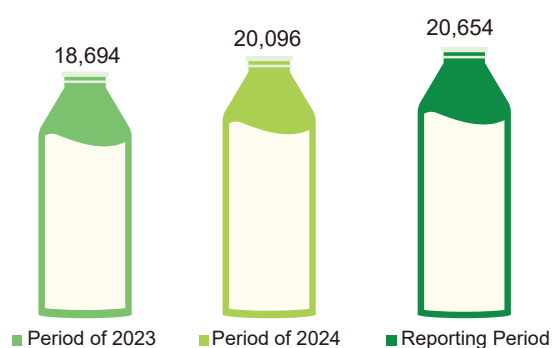
Notes:

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

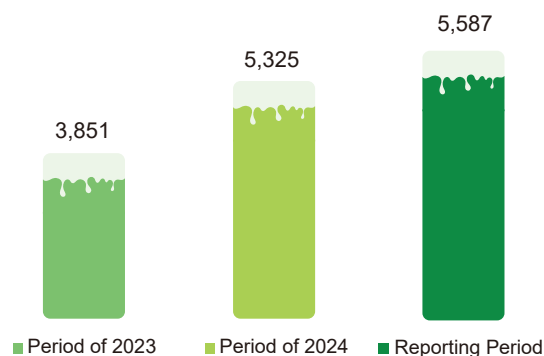
Steady growth of revenue

(RMB million)



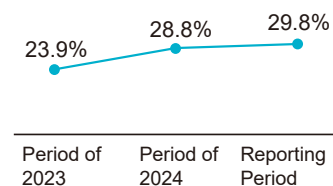
Steady growth of cash EBITDA

(RMB million)



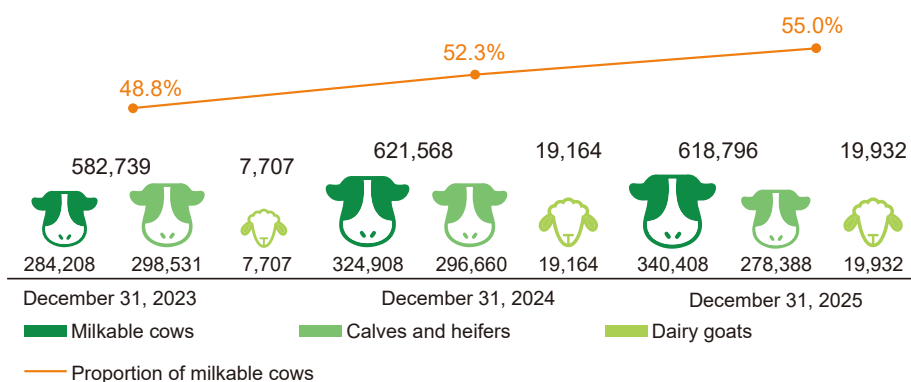
Continuous increase of gross profit margin

(%)



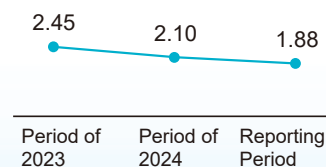
Continued optimization of herd structure

(heads)



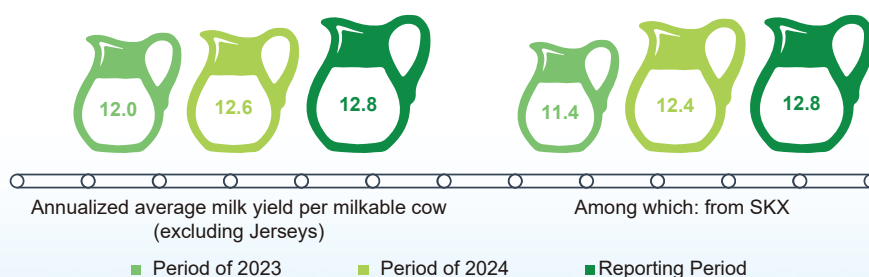
Continuous decrease of feed cost of raw milk

(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

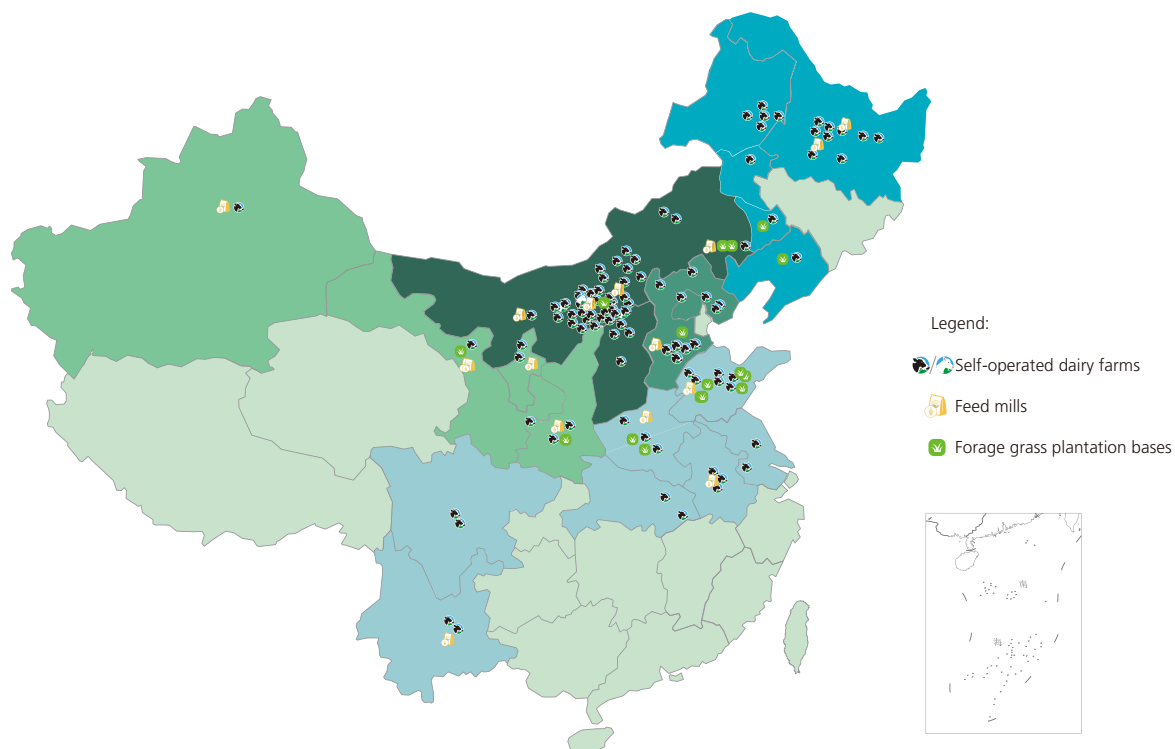
Provides dairy farms with, among others, frozen semen and sex-sorted embryos of high-quality dairy cows and beef cattle, with the sales volume of the breeding products of more than 1.01 million straws/units during the Reporting Period



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



02



04



03



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

03

NOVEMBER 2025 VERIFIED CARBON STANDARD (VCS)

Granted 91,300 tons of carbon credits by VCS

ZHUMADIAN YOURAN DAIRY CO., LTD.

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

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.

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.

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.

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:

1. 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.
2. 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:

1. Jerseys are a breed of small dark brown dairy cow originating from the Jersey Islands, the English Channel, with a high milk fat and milk protein content and lower milk yield per milkable cow as compared to Holsteins.
2. For the year ended December 31, 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 RMB'000	2024 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 automatically 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.

德勤

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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).

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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)

Notes to the Consolidated Financial Statements

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).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

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).

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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).

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

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

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)*

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.

Notes to the Consolidated Financial Statements

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.

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
(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

For the year ended December 31, 2025

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2025

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

Notes to the Consolidated Financial Statements

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

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

April 30, 2026

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Specific Mandate Subscription; (ii) the Whitewash Waiver; (iii) a letter of advice from the Takeovers Code Independent Board Committee and a letter of advice from the Listing Rules Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser; and (v) a notice of EGM, to enable you to make an informed decision on whether to vote in favour or against the proposed resolutions at the EGM.

THE SPECIFIC MANDATE SUBSCRIPTION

On January 16, 2026, the Company entered into the Specific Mandate Subscription Agreement with Boyuan, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for, the Specific Mandate Subscription Shares at the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share in accordance with the terms and conditions as set out in the Specific Mandate Subscription Agreement.

The principal terms of the Specific Mandate Subscription Agreement are set out below:

The Specific Mandate Subscription Agreement

Date	16 January 2026
Parties	(a) the Company; and (b) Boyuan
Number of Specific Mandate Subscription Shares	299,250,000
Subscription Price per Specific Mandate Subscription Share	HK\$3.92
Aggregate Subscription Price	HK\$1,173,060,000
Aggregate nominal value of Specific Mandate Subscription Shares	US\$2,992.50 (or approximately HK\$23,339.41)

Specific Mandate Subscription Shares

The Specific Mandate Subscription Shares shall be issued and allotted pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, represents: (i) approximately 7.14% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 6.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Specific Mandate Subscription Shares (assuming that, save for the allotment and issue of the Specific Mandate Subscription Shares, there will be no change in the issued share capital of the Company).

The number of Specific Mandate Subscription Shares, i.e. 299,250,000 Shares, have an aggregate nominal value of HK\$23,339.41 and market value of approximately HK\$1,286.78 million based on the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date.

Ranking

The Specific Mandate Subscription Shares, when issued and allotted, shall rank *pari passu* in all respects among themselves and with the Shares in issue (including the rights as to dividends, voting and return of capital). Boyuan, as the holder of the Specific Mandate Subscription Shares, will be entitled to receive all future dividends and distributions which are declared, made or paid with reference to a record date falling on or after the date of issuance and allotment of the Specific Mandate Subscription Shares.

The Specific Mandate Subscription Shares, when fully paid, will rank *pari passu* in all respects with the other Shares in issue or to be allotted and issued by the Company on or prior to the date of completion of the Specific Mandate Subscription including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment of the Specific Mandate Subscription Shares.

Specific Mandate Subscription Price

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents:

- (a) a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 8.84% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 15.21% to the average closing price of approximately HK\$4.62 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 1.19%, represented by the theoretical diluted price of approximately HK\$4.7134 per Share to the benchmarked price of approximately HK\$4.77 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price on the date of the Announcement of HK\$4.30 per Share and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Announcement of HK\$4.77 per Share), following the completion of the Placing and Top-up Subscription and based on 299,250,000 new Shares to be issued under the Specific Mandate Subscription at HK\$3.92 per Share;

- (g) a premium of approximately 16.21% to the audited consolidated net asset value per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.3732 per Share calculated based on the audited consolidated net asset of the Group attributable to the Shareholders of approximately RMB12,159,758,000 as at 31 December 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.92604 as at December 31, 2024 published by the State Administration of Foreign Exchange for illustration purposes); and
- (h) a premium of approximately 16.59% to the unaudited consolidated net asset value per Share attributable to the Shareholders as at June 30, 2025 of approximately HK\$3.3623 per Share calculated based on the unaudited consolidated net asset of the Group attributable to the Shareholders of approximately RMB11,936,059,000 as at June 30, 2025 as extracted from the interim report of the Company for the six months ended June 30, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.91195 as at June 30, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

The net Specific Mandate Subscription Price (after deduction of all professional fees and related expenses), is estimated to be approximately HK\$3.92 per Specific Mandate Subscription Share.

The Specific Mandate Subscription Price was arrived at after arm's length negotiations between the Company and Boyuan with reference to, among other things, (i) the prevailing market price of the Shares across short and medium term periods, that the Subscription Price represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date, a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share for the five consecutive trading days prior to the date of the Announcement and a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share for the last sixty consecutive trading days prior to the date of the Announcement; (ii) the market conditions before the date of the Specific Mandate Subscription Agreement, including the market volatility and investors' overall trading sentiment towards the Hong Kong stock market; and (iii) the funding needs and financial position of the Group, given that the Placing and Top-up Subscription and the Specific Mandate Subscription is expected to generate an aggregate of net proceeds of approximately HK\$2,330.18 million for the Company to advance technology enablement and digital transformation, repay interest-bearing debt and optimize capital structure, and replenish working capital.

The Directors noted that the short-term Share price exhibited greater fluctuations compared to its medium-term trading ranges, indicating heightened short-term volatility. To determine the Specific Mandate Subscription Price, the Directors thoroughly evaluated the closing prices of the Shares traded on the Stock Exchange over the last sixty consecutive trading days leading up to the date of the Specific Mandate Subscription Agreement (the "**Reference Period**"). This timeframe was chosen as a benchmark to effectively capture the prevailing market price of the Shares and the market conditions (including market volatility and recent investors' trading sentiment). During the Reference Period, the Shares were traded on the Stock Exchange with closing prices ranging from HK\$2.96 to HK\$5.16. The average closing price observed during the Reference Period was approximately HK\$4.06. Consequently, the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share reflects (i) a discount of approximately 24.0% in comparison to the highest closing price of HK\$5.16; (ii) a premium of approximately 32.4% over the lowest closing price of HK\$2.96; and (iii) a discount of approximately 3.4% relative to the average closing price of approximately HK\$4.06 noted during the Reference Period. In addition, since the Group generated a loss of RMB247 million for the six months ended June 30, 2025, the Directors considered that offering a moderate discount is commercially reasonable and prudent strategy to attract and secure subscription.

The Specific Mandate Subscription is not conditional on the Placing and Top-up Subscription. Nevertheless, the two transactions were negotiated contemporaneously and priced at the same price of HK\$3.92 per Share to maintain consistency across the Company's capital raising exercises and to avoid differential treatment. While each transaction is conducted on its own terms and conditions, the aggregate net proceeds from both transactions (approximately HK\$2,330.18 million) form part of the Company's overall funding plan in meeting its financing requirements and strategic initiatives. In order to implement the Company's technology enablement and digital transformation initiatives effectively (including but not limited to investments in automation, intelligent and electronic equipment, operating platform and intelligent management system), timely and committed funding are required.

Considering the above factors, the Directors (including the non-executive Director not having interest in the Specific Mandate Subscription and independent non-executive Directors whose opinion is contained in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee) consider that the terms of the Specific Mandate Subscription Agreement are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Specific Mandate Subscription is conditional upon:

- (i) the Shareholders having approved at the EGM of (i) the Specific Mandate Subscription Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules and the Takeovers Code; and (ii) the Whitewash Waiver;
- (ii) the granting of the Whitewash Waiver by the Executive and such waiver not having been subsequently revoked or withdrawn;
- (iii) the Listing Committee having granted the listing of and the permission to deal in the Specific Mandate Subscription Shares, and such approval and granting of permission not having been withdrawn or revoked;
- (iv) the warranties given by the Company under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);

- (v) the warranties given by Boyuan under the Specific Mandate Subscription Agreement are true and accurate and not misleading when made, and are true and accurate and not misleading on and as of the date of completion of the Specific Mandate Subscription (except to the extent any statement is expressly made as of such a date as otherwise specified therein);
- (vi) Boyuan and Yili having obtained all necessary internal approvals in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder, including but not limited to the approval of their respective board of directors; and
- (vii) if the amount to be used by Boyuan for the Specific Mandate Subscription will be sourced or guaranteed by any fund from the PRC, Boyuan and Yili having obtained or completed all necessary approvals and filings with applicable governmental authorities in the PRC in relation to the Specific Mandate Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date and based on information available to the Company, other than those specifically set out in conditions (i), (ii), (iii) and (vii) above, the Company is not aware of any other approvals, authorisations, consents, filings and reports which are required as set out in the conditions above.

None of the conditions of the Specific Mandate Subscription can be waived by the parties to the Specific Mandate Subscription Agreement.

Completion of the Specific Mandate Subscription

Completion of the Specific Mandate Subscription shall take place on the day of the satisfaction of all the conditions, or such other date as Boyuan and the Company may agree in writing.

Termination of the Specific Mandate Subscription Agreement

If any of the conditions in the paragraph headed “Conditions Precedent” above has not been satisfied before June 30, 2026, or such date as Boyuan and the Company may agree in writing, the Specific Mandate Subscription Agreement shall terminate with immediate effect.

INFORMATION ON THE GROUP

The Group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

INFORMATION ON BOYUAN

Boyuan is a company incorporated in the Cayman Islands, it is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively. Jingang is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yili.

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is the Company's controlling shareholder and one of its major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC. Hohhot Investment Co., Ltd. (呼和浩特投資有限責任公司), the largest shareholder of Yili, holds 538,535,826 A shares of Yili (representing approximately 8.51% of Yili's A shares), and is principally engaged in property leasing, asset operation, investment income management and the entrusted management of state-owned assets.

REASONS FOR AND BENEFITS OF THE SPECIFIC MANDATE SUBSCRIPTION AND USE OF PROCEEDS

The Specific Mandate Subscription demonstrates the confidence of Yili and Boyuan in the industry outlook and the Company's long term business development. It also further enlarges the Shareholders' equity base of the Company and supports the development of the Company. The Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) also consider the terms of the Specific Mandate Subscription Agreement to be fair and reasonable, in the interests of the Company and the Shareholders as a whole and that the Specific Mandate Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and Boyuan.

While the Company has completed the Placing and Top-up Subscription in January 2026 which generated net proceeds of approximately HK\$1,158.59 million, the Company would still need to raise additional funding by way of Specific Mandate Subscription to support its development (including advancing technology enablement and digital transformation, repaying interest-bearing debt and optimizing capital structure, and replenishing working capital). Considering the recent prevailing market conditions and market price of the Shares and the factors as set out above, the Directors (including the members of the Independent Board Committees whose views are stated in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee in respect of the Specific Mandate Subscription and the Whitewash Waiver, after considering the advice of the Independent Financial Adviser) consider that the Specific Mandate Subscription represents an opportunity to raise additional funding for business operation of the Group. The Company has considered other alternative fundraising methods, such as debt financing. However, debt financing will have a negative impact on the gearing ratio of the Company and incur additional financing costs. On the other hand, the Specific Mandate Subscription will help the Company to repay certain debts and reduce its overall financing costs.

The Specific Mandate Subscription will not result in a change of control of the Company. Boyuan and parties acting in concert with it have also confirmed to the Company that they do not intend to introduce major changes to the Group's existing business and/or operations, the composition of the Board, fixed asset deployment and employment of the current employees. Boyuan has no intention, arrangement, agreement, understanding or negotiation (concluded or otherwise) on (i) injection of any other new business to the Group; (ii) any disposal, termination or scaling down of the existing businesses of the Group; or (iii) any change in the shareholding structure of the Company (save for the Specific Mandate Subscription). It is also the intention of Boyuan to maintain the Company's listing status on the Stock Exchange.

The Company intends to apply the net proceeds from the Specific Mandate Subscription as follows:

- (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency. In particular, the Company plans to invest in the procurement, construction and upgrading of intelligent and electronic equipment and facilities of dairy farms, as well as the upgrading of the production lines of feed factories to further enhance the level of automation. In addition, the Company will plan to implement upgrading projects such as replacing fuel-powered vehicles with electric vehicles. The Company also plans to invest in, among others, the development of precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, the establishment of big data analysis and decision-making platform, and the development of an intelligent management system of forage cultivation. Collectively, these technological and digital initiatives are expected to enhance the Company's operations across the entire industry value chain. These initiatives are also expected to effectively improve the operational efficiency of the Company's principal business while strengthening its core competitiveness;
- (ii) approximately 55% for repaying interest-bearing debt (none of which will be loans from Shareholders) and optimizing capital structure to provide flexibility for potential acquisitions of or investment opportunities. The Company intends to prioritise the settlement of borrowings due within one year, which typically involve relatively higher comprehensive costs. After considering factors such as interest rates of outstanding loans, as well as any applicable break costs or prepayment fees associated with early settlement, such an approach is expected to reduce the Company's financing risk and save interest expenses. It is expected that such repayment of interest-bearing debt will be completed within one year and in any event before December 31, 2026. The repayment of interest-bearing loans would lower the Company's gearing ratio, thereby optimizing the Company's overall capital structure. Furthermore, the Company intends to seize favourable opportunities to acquire high quality dairy farming assets at reasonable prices, accelerate its strategic deployment, meet future market demand and ensure the stability of raw milk supply. As at the Latest Practicable Date, the Company has not identified any target for potential acquisitions or investment opportunities.

Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate; and

- (iii) approximately 10% for replenishing working capital and for general corporate purpose.

The following table sets out the expected timeline for the utilization of net proceeds from the Specific Mandate Subscription:

Use of proceeds	Intended use of the net proceeds (Approx. HK\$ million)	Timeline for the utilization of the net proceeds
Advancing technology enablement and digital transformation in enhancing operational efficiency	410.0	Expected to be fully utilized by December 31, 2028 <i>(Note 1)</i>
Repaying interest-bearing debt and optimizing capital structure to provide flexibility for potential acquisitions or investment opportunities	644.4	Expected to be fully utilized by December 31, 2026
Replenishing working capital and for general corporate purpose	117.2	Expected to be fully utilized by December 31, 2026

Note 1: The expected timeline for the utilization of the net proceeds for advancing technology enablement and digital transformation in enhancing operational efficiency is based on the Group's best estimation and is subject to change.

FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has recently completed the Placing and Top-up Subscription on January 26, 2026 and the relevant information is as follows:

Date of announcement	Details of equity fund raising activity	Net proceeds	Intended use of proceeds
January 16, 2026	Allotment and issuance of 299,250,000 new Shares under the General Mandate	Approximately HK\$1,158.59 million	(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 purpose.

As at the Latest Practicable Date, the Company has utilized approximately 55% of the net proceeds from the Placing and Top-up Subscription (approximately HK\$637.2 million) for repaying interest-bearing debt. Based on the Group's best estimation, it is expected that the remaining net proceeds from the Placing and Top-up Subscription would be utilized (i) for advancing technology enablement and digital transformation in enhancing operational efficiency by December 31, 2028, and (ii) for replenishing working capital and for general corporate purpose by December 31, 2026, respectively.

Save as disclosed above, the Company has not conducted any fund-raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company does not have any convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (a) as at the date of the Latest Practicable Date; and (b) immediately after completion of the Specific Mandate Subscription, assuming there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date up to the completion, are set out below:

	As at the Latest Practicable Date		Immediately after completion of the Specific Mandate Subscription	
	<i>Number of Shares</i>	<i>Approximate percentage</i>	<i>Number of Shares</i>	<i>Approximate percentage</i>
Yili and its parties acting in concert (Note 1)				
Boyuan (Note 1)	800,000,000	19.08%	1,099,250,000	24.48%
Jingang (Note 1)	520,800,000	12.42%	520,800,000	11.60%
Subtotal	1,320,800,000	31.51%	1,620,050,000	36.07%
The Placees	299,250,000	7.41%	299,250,000	6.66%
Other Public Shareholders	<u>2,571,927,833</u>	<u>61.35%</u>	<u>2,571,927,833</u>	<u>57.27%</u>
Total	<u>4,191,977,833</u>	<u>100%</u>	<u>4,491,227,833</u>	<u>100%</u>

Notes:

1. As at the Latest Practicable Date, Yili is indirectly interested in 1,320,800,000 Shares through its wholly-owned subsidiaries, Boyuan and Jingang.
2. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Specific Mandate Subscription Shares.

APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date,

- (a) Boyuan (a wholly-owned subsidiary of Yili) holds 800,000,000 Shares, representing approximately 19.08% of the issued share capital of the Company; and
- (b) Jingang (a wholly-owned subsidiary of Yili), a party acting in concert with Boyuan, holds 520,800,000 Shares, representing approximately 12.42% of the issued share capital of the Company.

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Specific Mandate Subscription, (i) the shareholding of Boyuan in the Company will increase from approximately 19.08% to approximately 24.48% of the issued share capital of the Company and (ii) the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company, in each case as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive. Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

The Executive may or may not grant the Whitewash Waiver. The Specific Mandate Subscription will not proceed if the Whitewash Waiver is not granted or approved or is invalidated.

As at the Latest Practicable Date, the Company does not believe that the Specific Mandate Subscription gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). Should any concern arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Specific Mandate Subscription does not comply with other applicable rules and regulations.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Save for the Placing and Top-up Subscription pursuant to which Boyuan sold 299,250,000 Shares and subscribed for 299,250,000 Shares, neither Boyuan nor any of the parties acting in concert with it has any dealings in the Shares in the 6 months prior to the date of the Announcement and up to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Boyuan is a substantial shareholder of the Company, hence, a connected person of the Company.

The Specific Mandate Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription Agreement. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have abstained from voting on the Board resolutions in relation to the Specific Mandate Subscription Agreement. Save as disclosed above, none of the Directors had a material interest in the matters contemplated therein nor was any of them required to abstain from voting on the relevant Board resolutions approving the Specific Mandate Subscription Agreement and the respective transactions contemplated thereunder.

ESTABLISHMENT OF THE TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND THE LISTING RULES INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Director and independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription and the Whitewash Waiver, namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. Both Mr. Bai Wenzhong (a non-executive Director), who is the director of the financial shared services center (財務共享服務中心) of Yili, and Ms. Li Lin (a non-executive Director), who is a reserve cadre of the president's office of Yili, are deemed to have a material interest in the Specific Mandate Subscription and the Whitewash Waiver. Therefore, Mr. Bai Wenzhong and Ms. Li Lin have not been included in the Takeovers Code Independent Board Committee.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription is fair and reasonable and make recommendation as to voting.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation on voting.

GENERAL

The Specific Mandate Subscription and the Whitewash Waiver are subject to Independent Shareholders' approval. The Specific Mandate Subscription Shares will be allotted and issued under the Specific Mandate to be proposed for approval by the Independent Shareholders by way of an ordinary resolution at the EGM.

The EGM will be convened for the Independent Shareholders to consider, and if thought fit, pass the requisite resolutions to approve, among other things: (i) the Specific Mandate Subscription; and (ii) the Whitewash Waiver. The Specific Mandate Subscription and the Whitewash Waiver are subject to the approval by more than 50% and at least 75% of the votes cast by the Independent Shareholders either in person or by proxy, respectively, at the EGM. The voting at the EGM will be conducted by way of poll.

As at the Latest Practicable Date, the aggregate interest in the Company held by Boyuan, its associates and any parties acting in concert with Boyuan amounted to 1,320,800,000 Shares, representing approximately 31.51% of the issued share capital of the Company. Boyuan, its associates, any parties acting in concert with Boyuan, and any other party who is interested in or involved in the Specific Mandate Subscription and/or the Whitewash Waiver, will abstain from voting in respect of the resolution(s) to approve the Specific Mandate Subscription and the Whitewash Waiver at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder had any material interest in the Specific Mandate Subscription and the Whitewash Waiver, and no other Shareholder was required to abstain from voting at the EGM on the resolutions approving the Specific Mandate Subscription and the Whitewash Waiver.

As disclosed in the Takeovers Bulletin Issue No. 60 March 2022, the Executive expects all meetings with Codes-related resolutions requiring approval of disinterested or independent shareholders to be chaired by a person who is disinterested and independent (as defined under the relevant provisions of the Codes on Takeovers and Mergers and Share Buy-backs). Mr. Hao Haijun, an executive Director and chairman of the Board, who is a disinterested Director, will act as the chairman of the EGM.

A notice convening the EGM to be held at No. 169, Hexi Road, Saihan District, Hohhot, Inner Mongolia, China on Friday, May 22, 2026 at 11:00 a.m. (or immediately after the AGM, whichever is later) is set out on pages 103 to 105 of this circular.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, May 19, 2026 to Friday, May 22, 2026, both days inclusive, during which period no transfer of shares will be registered. The record date for ascertaining Shareholders' eligibility to attend and vote at the EGM will be Friday, May 22, 2026. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, May 18, 2026.

RECOMMENDATION

Your attention is drawn to: (i) the letter from the Takeovers Code Independent Board Committee set out on pages 25 to 26 of this circular and the letter from the Listing Rules Independent Board Committee set out on pages 27 to 28 of this circular containing their recommendations to the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver and (ii) the letter from the Independent Financial Adviser set out on pages 29 to 50 of this circular, containing its advice to the Takeovers Code Independent Board Committee, the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

The Directors (including the members of the Takeovers Code Independent Board Committee and Listing Rules Independent Board Committee, whose views are set out in the letter from the Takeovers Code Independent Board Committee and the letter from the Listing Rules Independent Board Committee respectively) consider that the terms and conditions of the Specific Mandate Subscription Agreement (including the Specific Mandate Subscription Price) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

FURTHER INFORMATION

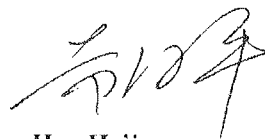
Your attention is drawn to the additional information set out in Appendix I, Appendix II and Appendix III to this circular.

Since completion of the Specific Mandate Subscription is subject to the fulfilment or waiver (as applicable) of the conditions precedent as set out in the Specific Mandate Subscription Agreement, the Specific Mandate Subscription may or may not proceed.

The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among other things, be subject to the approval by at least 75% of the votes cast by the Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders in respect of the Specific Mandate Subscription, respectively, at the EGM. Completion of the Specific Mandate Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders and the Whitewash Waiver not being invalidated.

Shareholders and potential investors are reminded to exercise caution when dealing in the Shares, and are recommended to consult their stockbroker, bank manager, solicitor or other professional adviser if they are in any doubt about their position and as to actions that they should take.

Yours Faithfully,
For and on behalf of the Board of
China Youran Dairy Group Limited

A handwritten signature in black ink, appearing to be '郝海军' (Hao Haijun), written in a cursive style.

Hao Haijun
Chairman and Executive Director

April 30, 2026

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Company to its shareholders dated April 30, 2026 (the “Circular”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

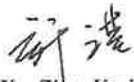
We have been appointed by the Board as members of the Takeovers Code Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee, Independent Shareholders and us in respect of the terms of the Specific Mandate Subscription and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 29 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 24 of the Circular and the additional information set out in Appendix I, Appendix II and Appendix III thereto.

Having considered the terms of the Specific Mandate Subscription and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the Specific Mandate Subscription is on normal commercial terms and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
the Takeovers Code Independent Board Committee of
China Youran Dairy Group Limited



Mr. Xu, Zhan Kevin
Non-executive Director

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director

Yours faithfully,
For and on behalf of
the Takeovers Code Independent Board Committee of
China Youran Dairy Group Limited

Mr. Xu, Zhan Kevin
Non-executive Director


Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

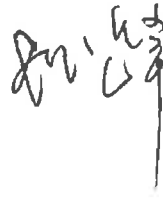
Ms. Huang Lin
Independent Non-executive Director

Yours faithfully,
For and on behalf of
the Takeovers Code Independent Board Committee of
China Youran Dairy Group Limited

Mr. Xu, Zhan Kevin
Non-executive Director

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

A handwritten signature in black ink, appearing to be 'Yao Feng', written vertically.

Ms. Huang Lin
Independent Non-executive Director

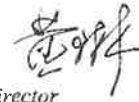
Yours faithfully,
For and on behalf of
the Takeovers Code Independent Board Committee of
China Youran Dairy Group Limited

Mr. Xu, Zhan Kevin
Non-executive Director

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director



April 30, 2026

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(2) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular issued by the Company to its shareholders dated April 30, 2026 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Listing Rules Independent Board Committee to advise the Independent Shareholders in respect of whether the terms of the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders on how to vote at the EGM.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee, Independent Shareholders and us in respect of the terms of the Specific Mandate Subscription and the Whitewash Waiver. Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 29 to 50 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 8 to 24 of the Circular and the additional information set out in Appendix I, Appendix II and Appendix III thereto.

Having considered the terms of the Specific Mandate Subscription and the Whitewash Waiver, the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the Specific Mandate Subscription is on normal commercial terms and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
the Listing Rules Independent Board Committee of
China Youran Dairy Group Limited



Ms. Xie Xiaoyan
Independent Non-executive Director

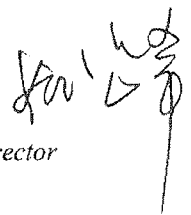
Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director

Yours faithfully,
For and on behalf of
the Listing Rules Independent Board Committee of
China Youran Dairy Group Limited

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

A handwritten signature in black ink, appearing to be 'Yao Feng', with a long vertical line extending downwards from the end of the signature.

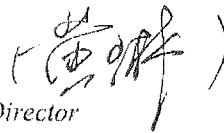
Ms. Huang Lin
Independent Non-executive Director

Yours faithfully,
For and on behalf of
the Listing Rules Independent Board Committee of
China Youran Dairy Group Limited

Ms. Xie Xiaoyan
Independent Non-executive Director

Mr. Yao Feng
Independent Non-executive Director

Ms. Huang Lin
Independent Non-executive Director



April 30, 2026

To the Independent Board Committees and the Independent Shareholders

China Youran Dairy Group Limited
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF NEW SHARES UNDER SPECIFIC MANDATE; AND
(2) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated April 30, 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On January 16, 2026, the Company entered into the Specific Mandate Subscription Agreement with Boyuan, pursuant to which the Company has conditionally agreed to allot and issue, and Boyuan has conditionally agreed to subscribe for, the Specific Mandate Subscription Shares at the Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share in accordance with the terms and conditions as set out in the Specific Mandate Subscription Agreement. Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

As at the Latest Practicable Date, Boyuan is a substantial shareholder of the Company, hence, a connected person of the Company. The Specific Mandate Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the Listing Rules Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription, namely Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription is fair and reasonable and make recommendation as to voting. Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code Independent Board Committee (comprising the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Specific Mandate Subscription and the Whitewash Waiver, namely Mr. Xu, Zhan Kevin, Ms. Xie Xiaoyan, Mr. Yao Feng and Ms. Huang Lin) has also been formed to advise the Independent Shareholders as to whether the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable and make recommendation as to voting. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committees to advise the Independent Board Committees and the Independent Shareholders in this respect.

Boyuan is a wholly-owned subsidiary of Yili. As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Yili and its parties acting in concert that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the revision of annual caps under the financial services framework agreement entered into between the Company and Yili Finance Company Limited, a wholly-owned subsidiary of Yili, details of which were set out in the circular of the Company dated September 8, 2025; and (ii) the renewal of continuing connected transactions in relation the raw milk purchase and sale framework agreement and the financial services framework agreement, details of which were set out in the circular of the Company dated April 27, 2026. Other than that, there was no engagement or connection between the Group or Yili and its parties acting in concert and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or Yili and its parties acting in concert. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committees and the Independent Shareholders in respect of the Specific Mandate Subscription and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group, Yili and its parties acting in concert or any of their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Specific Mandate Subscription and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

The Group is primarily engaged in the production and sale of raw milk, and the production, sale and trading of feeds, ruminant farming products and breeding products in the PRC.

(i) Financial performance

Set out in the table below is a summary of the audited consolidated financial information of the Group for the years ended December 31, 2023, 2024 and 2025 (“FY2023”, “FY2024” and “FY2025”, respectively) as extracted from the Company’s annual reports for FY2024 and FY2025:

	FY2025	FY2024	FY2023
	RMB’000	RMB’000	RMB’000
	(audited)	(audited)	(audited)
Revenue	20,653,706	20,096,160	18,693,896
– Raw milk	16,023,947	15,100,802	12,902,987
– Comprehensive ruminant farming solutions	4,629,759	4,995,358	5,790,909
Cost of sales	(19,520,335)	(18,782,079)	(17,499,357)
Gains arising on initial recognition of agricultural produce at fair value less costs to sell at the point of harvest	5,020,326	4,468,909	3,275,246
Gross profit	6,153,697	5,782,990	4,469,785
Losses arising from changes in fair value less costs to sell of biological assets	(4,311,969)	(3,921,360)	(3,613,271)
Other income	429,167	549,370	453,821
Impairment losses under expected credit loss model, net of reversal	(45,630)	(24,473)	(6,629)
Impairment loss recognised in respect of goodwill	–	–	(120,966)
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	(48,141)	(512,850)	(7,879)
Other gains and losses	1,860	(102,152)	143,430
Selling and distribution expenses	(638,155)	(632,290)	(619,566)
Administrative expenses	(854,553)	(806,677)	(778,154)

	FY2025	FY2024	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Other expenses	(166,374)	(122,881)	(70,383)
Share of losses of associates	(78,407)	(79,666)	(126,559)
Share of loss of a joint venture	(1,416)	(989)	(541)
Finance costs	(817,814)	(903,487)	(1,082,592)
Loss before tax	(377,735)	(774,465)	(1,359,504)
Income tax expense	(57,567)	(87,022)	(93,388)
Loss for the year	(435,302)	(861,487)	(1,452,892)
Loss for the year attributable to the Shareholders	(432,386)	(690,890)	(1,049,980)

FY2024 as compared to FY2023

The Group's revenue increased by 7.5% from RMB18,694 million for FY2023 to RMB20,096 million for FY2024, which was primarily due to the growth of raw milk business. The Group's revenue generated from raw milk increased by 17.0% from RMB12,903 million for FY2023 to RMB15,101 million for FY2024, which was mainly due to the increase of 24.6% in the sales volume of raw milk from 2,945,840 tons for FY2023 to 3,669,563 tons for FY2024 as a result of continuous improvement in the milk yield per milkable cow, new dairy farms being put into operation and the continuous optimisation of the herd structure. The Group's annualized average milk yield per milkable cow (excluding Jerseys) was 12.6 tons for FY2024, representing an increase of 5.0% from 12.0 tons for FY2023. During FY2024, the Group put 6 new dairy farms into operation, including 1 organic dairy farm and 1 dairy goat farm, which further enriched the specialty raw milk offerings of the Group.

The Group's gross profit increased by 29.4% from RMB4,470 million for FY2023 to RMB5,783 million for FY2024, while its gross profit margin rose from 23.9% for FY2023 to 28.8% for FY2024. The increase in gross profit margin was mainly attributable to (a) a decrease in the purchase prices of bulk raw materials in the domestic market; (b) continued improvements in feed conversion rates and milk yield per milkable cow; and (c) strict cost control.

The Group recorded impairment loss recognised in respect of property, plant and equipment and right-of-use assets of RMB513 million for FY2024, as compared to that of RMB8 million for FY2023. This was mainly due to the impact of the industry environment, which has led to indications of impairment on certain long-term assets of the Group's dairy farms located in low raw milk price regions in Northwest China.

The Group's loss for the year decreased by 40.7% from RMB1,453 million for FY2023 to RMB861 million for FY2024, which was mainly due to the increase in gross profit and partially offset by the increase in impairment loss recognised in respect of property, plant and equipment and right-of-use assets.

FY2025 as compared to FY2024

The Group's revenue increased by 2.8% from RMB20,096 million for FY2024 to RMB20,654 million for FY2025, which was mainly due to the increase in revenue generated from raw milk and partially offset by the decrease in revenue generated from comprehensive ruminant farming solutions. The Group's revenue generated from raw milk increased by 6.1% from RMB15,101 million for FY2024 to RMB16,024 million for FY2025, which was mainly due to the increase of 13.2% in the sales volume of raw milk from 3,669,563 tons for FY2024 to 4,153,082 tons for FY2025. The Group's revenue generated from comprehensive ruminant farming solutions decreased by 7.3% from RMB4,995 million for FY2024 to RMB4,630 million for FY2025, which was primarily attributable to (a) a decline in sales volume driven by weaker industry demand; and (b) dynamic adjustments to product pricing in response to lower market prices of bulk raw materials.

The Group recorded a gross profit of RMB5,783 million for FY2024, representing a gross profit margin of 28.8%, and a gross profit of RMB6,154 million for FY2025, representing a gross profit margin of 29.8%. The increase in gross profit margin was primarily attributable to the decline in domestic bulk raw material purchase prices, together with the Group's continued efforts in promoting lean operation management and enhancing efficiency through effective cross-business collaboration, which collectively contributed to the improvement in the Group's gross profit margin.

The Group's losses arising from changes in the fair value less costs to sell of biological assets amounted to RMB3,921 million for FY2024 and RMB4,312 million for FY2025. Such losses primarily arose from the decline in the selling price of raw milk, the increase in the number of culled cows and the decrease in market prices of heifers.

Despite recording gross profit, the Group remained in a net loss position due to the significant losses arising from changes in the fair value less costs to sell of biological assets. The Group's loss for the year decreased by 49.5% from RMB861 million for FY2024 to RMB435 million for FY2025, which was mainly due to the increase in gross profit, the decrease in impairment losses of property, plant and equipment and right-of-use assets, and the decrease in finance costs.

(ii) Financial position

Set out below is a summary of the consolidated financial position of the Group as at December 31, 2023, 2024 and 2025:

	December 31, 2025	December 31, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total current assets	8,708,765	8,356,193	11,406,409
Total non-current assets	33,662,048	35,300,474	34,793,319
Total current liabilities	20,321,338	21,109,887	20,914,580
– Bank and other borrowings	16,083,449	16,709,437	16,433,086
Total non-current liabilities	10,207,661	10,387,022	12,186,453
– Bank and other borrowings	7,328,389	7,546,965	9,826,502
Net assets	11,841,814	12,159,758	13,098,695
Net gearing ratio (<i>Note</i>)	176.7%	185.2%	165.2%

Note: 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%.

The Group's net assets decreased by 7.2% from RMB13,099 million as at December 31, 2023 to RMB12,160 million as at December 31, 2024, and further decreased by 2.6% to RMB11,842 million as at December 31, 2025, which was mainly due to that the Group recorded loss for the year of RMB861 million for FY2024 and RMB435 million for FY2025.

The Group's net gearing ratio increased from 165.2% as at December 31, 2023 to 185.2% as at December 31, 2024, and decreased to 176.7% as at December 31, 2025, which were mainly due to the decrease in the Group's net assets and the decrease in the Group's net debt respectively. The Group's total bank and other borrowings amounted to RMB26,260 million, RMB24,256 million and RMB23,412 million as at December 31, 2023, December 31, 2024 and December 31, 2025, respectively.

(iii) Industry overview

In 2025, despite a further contraction in cattle herd sizes in the PRC, raw milk output grew slightly due to improvements in milk yield per milkable cow. According to the National Bureau of Statistics, total raw milk output slightly increased by 0.3% for the year ended December 31, 2025. However, numerous external uncertainties, insufficient effective domestic demands and persistent supply demand imbalances in the industry have together exerted significant pressure on the dairy products industry. As a result, milk prices fell to multi-year lows. Data from the Ministry of Agriculture and Rural Affairs indicated that the average price of raw milk in China's major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024.

On the policy front, the Ministry of Agriculture and Rural Affairs explicitly stated in June 2025 its intention to expand the coverage of “Student Milk” during a dairy industry symposium, extending the program from the compulsory education stage to preschool education to increase its penetration rate. Concurrently, the National Health Commission and the State Administration for Market Regulation jointly issued the Amendment No. 1 to the National Food Safety Standard for Sterilized Milk, which stipulates that only raw milk can be used in the production of sterilized milk, and the use of reconstituted milk is forbidden. The new standard took effect on September 16, 2025. The aforementioned policies aim to strengthen the quality of milk sources, expand the demand for raw milk, promote the development of domestic dairy cattle breeding industry, meet consumers’ demand for high-quality dairy products, and facilitate the high-quality development of the entire dairy industry chain. The policies are expected to have a positive impact on the industry’s long-term outlook. However, in the short term, the industry continues to face supply-demand imbalances, which have contributed to continued decline in the selling price of raw milk in 2025. As a result, while the policy direction is supportive, we consider that near-term market conditions remain challenging.

(iv) Overall comments

The Group’s raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group’s gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. Despite recording gross profit, the Group remained in a net loss position due to significant losses arising from changes in the fair value less costs to sell of biological assets. Loss arising from changes in fair value less costs to sell of biological assets represents the difference in fair value less costs to sell of the Group’s biological assets from period to period, due to the changes in biological assets’ physical attributes and market prices of the Group’s biological assets and the changes in discounted future cash flows to be generated by the Group’s biological assets. The fair value is measured by reference to local market selling prices or by projecting future cash flows to be generated from those biological assets and discounting them to a present day value. Because biological assets are revalued at every reporting period, their fair value changes are unaffected by the original acquisition cost. As at December 31, 2025, the Group’s biological assets comprised 19,932 dairy goats and 618,796 dairy cows (including 340,408 milkable cows and 278,388 calves and heifers). Attributable to the prolonged downturn in raw milk prices in recent years, the Company recorded losses arising from changes in fair value less costs to sell of biological assets of RMB3,613 million, RMB3,921 million and RMB4,312 million for FY2023, FY2024 and FY2025, respectively, representing approximately 80.8%, 67.8% and 70.1% of the gross profit for the corresponding periods. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company’s short-term outlook to remain uncertain.

2. Information on Boyuan

Boyuan is a company incorporated in the Cayman Islands, it is a wholly-owned subsidiary of Yili, and is held as to 91.64% and 8.36% by Yili and Jingang, respectively. Jingang is a company incorporated in Hong Kong and a wholly-owned subsidiary of Yili.

Yili is a company established under the laws of the PRC in June 1993 whose shares are listed on the Shanghai Stock Exchange (stock code: 600887), and is the Company's controlling shareholder and one of its major customers. Yili is principally engaged in the processing, manufacturing and sales of various dairy products and health drinks in the PRC.

3. Reasons for and benefits of the Specific Mandate Subscription

The Company intends to apply the total amount of net proceeds from the Specific Mandate Subscription as to (i) approximately 35% for advancing technology enablement and digital transformation in enhancing operational efficiency; (ii) approximately 55% for repaying interest-bearing debt; and (iii) approximately 10% for replenishing working capital and for general corporate purposes.

In terms of advancing technology enablement, the Company plans to invest in the procurement, construction and upgrading of intelligent and electronic equipment and facilities of dairy farms, as well as the upgrading of the production lines of feed factories to further enhance the level of automation. In addition, the Company will plan to implement upgrading projects such as replacing fuel-powered vehicles with electric vehicles. In terms of digital transformation, the Company plans to invest in, including but not limited to, developing precision dairy cow feeding project and digital-intelligence large-model system for precision nutrition, establishing big data analysis and decision-making platform, and developing an intelligent management system of forage cultivation. The Group expects to fully utilize this portion of the net proceeds and complete its technological enablement and digital transformation by December 31, 2028. As disclosed in the Group's annual reports for FY2024 and FY2025, the Group has actively responded to industry challenges and achieved breakthroughs through technological empowerment. The Group has continued to promote lean operations and digital management practices to further enhance operational efficiency. Given the challenging industry conditions, we consider it necessary for the Group to continue strengthening its technological capabilities and digital initiatives.

In determining which interest-bearing debt to repay, the Group will take into account the respective maturity profiles and interest rates, and will prioritize the settlement of higher-cost debt maturing within the next twelve months. The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. The Top-up Subscription and the Specific Mandate Subscription are not inter-conditional. The Specific Mandate Subscription will further optimise the Company's capital structure, reduce its net gearing ratio, and increase its net assets. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. A lower net gearing ratio will allow the Company

greater flexibility in selecting fundraising methods for potential acquisitions, including the possibility of debt financing or funding with internal resources. The Company intends to seize favourable opportunities to acquire high quality dairy farming assets at reasonable prices, accelerate its strategic deployment, meet future market demand and ensure the stability of raw milk supply. As at the Latest Practicable Date, the Company had not identified any potential acquisition targets or investment opportunities.

As stated in the Letter from the Board, the Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development. It also further enlarges the Shareholders' equity base of the Company and supports the development of the Company. We consider that, following the significant increase in the Company's Share price during the Review Period (as defined below), the controlling shareholder's proposed increase in shareholding would enhance market confidence in the Company.

The Company has considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders, which is not in line with the Company's funding needs. We have reviewed the Company's annual report for FY2025. The Group had cash and deposits of approximately RMB2,491 million and bank and other borrowings of approximately RMB23,412 million as at December 31, 2025. Of these borrowings, RMB16,083 million is due within one year. As at December 31, 2025, the Group's net gearing ratio was 176.7%. Accordingly, we consider that debt financing would increase the Company's financial burden and is not the most appropriate financing method for the Company.

In respect of other equity financing methods, rights issue is the most commonly adopted equity financing method in the market. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Additional cost would be required for rights issue and open offer, including underwriting commission, as compared to the Specific Mandate Subscription. In view of the current industry conditions, there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required. Therefore, we consider that rights issue and open offer are not the most appropriate financing methods for the Company.

We have reviewed the Stock Exchange's website and noted that since the Company's listing, apart from the issuance of consideration shares in July 2024 to acquire 8.50% of the total equity interest in SKX and the Top-up Subscription completed on January 26, 2026, the Company did not conduct any equity financing. While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and

the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimize its capital structure, and enhance its risk-resistance capabilities.

Having taken into consideration the above factors, we consider that although the Specific Mandate Subscription is not conducted in the ordinary and usual course of business of the Company, the Specific Mandate Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Specific Mandate Subscription Agreement, details of which are set out in the Letter from the Board.

Parties	:	(i) the Company; and (ii) Boyuan.
Specific Mandate Subscription Shares	:	Upon completion of the Specific Mandate Subscription, 299,250,000 new Shares will be allotted and issued by the Company and subscribed by Boyuan in accordance with the terms and conditions of the Specific Mandate Subscription Agreement.
Specific Mandate Subscription Price	:	HK\$3.92 per Specific Mandate Subscription Share.
Lock-up undertaking	:	Boyuan undertook that, during a period of one year from the date of completion of the Specific Mandate Subscription, Boyuan will not, and Boyuan will procure its affiliates not to, without the prior written consent of the Company: (i) offer, lend, pledge, charge, sell, mortgage, assign, dispose of, or otherwise grant or create any options, rights, interests or encumbrances, either directly or indirectly, conditionally or unconditionally, any of the Shares (including the Specific Mandate Subscription Shares); or (ii) agree or contract to enter into any transaction described in paragraph (i) above, provided that it shall not restrict any transfer of Shares by Boyuan to any of its affiliates.

5. Specific Mandate Subscription Price

(i) *Price comparison*

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents:

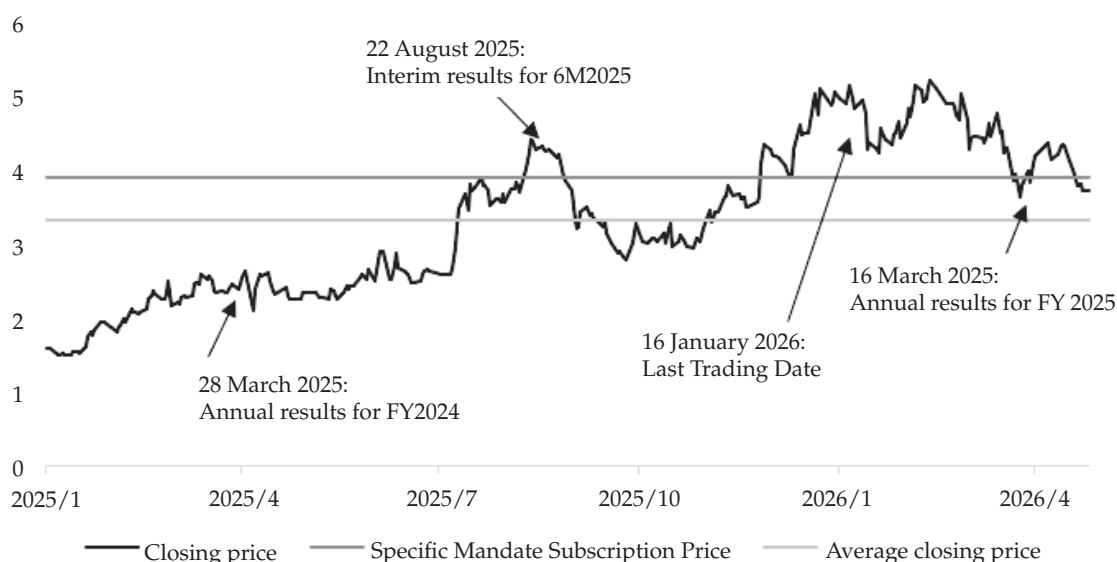
- (a) a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (b) a discount of approximately 8.84% to the closing price of HK\$4.30 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (c) a discount of approximately 17.89% to the average closing price of approximately HK\$4.77 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a discount of approximately 15.21% to the average closing price of approximately HK\$4.62 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Date;
- (e) a discount of approximately 3.37% to the average closing price of approximately HK\$4.06 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 25.10% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2024 of approximately HK\$3.1334 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB11,295,246,000 as at 31 December 2024 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.92604 as at December 31, 2024 published by the State Administration of Foreign Exchange for illustration purposes); and
- (g) a premium of approximately 25.52% to the audited consolidated equity per Share attributable to the Shareholders as at December 31, 2025 of approximately HK\$3.1229 per Share calculated based on the audited consolidated equity of the Group attributable to the Shareholders of approximately RMB10,980,148,000 as at December 31, 2025 and 3,892,727,833 Shares then in issue (based on the exchange rate of HK\$1:RMB0.90322 as at December 31, 2025 published by the State Administration of Foreign Exchange for illustration purposes).

The Specific Mandate Subscription Price was arrived at after arm's length negotiations between the Company and Boyuan with reference to, among other things, the prevailing market price of the Shares and the market conditions, and the funding needs and financial position of the Group. The Specific Mandate Subscription Price was the same as the Placing and Top-up Subscription price.

(ii) *Historical Share price performance*

Set out below is the chart showing the movement of the daily closing price of the Shares during the period from January 1, 2025 to the Latest Practicable Date (the "Review Period"). We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the general trend and level of movement of the daily closing price of the Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing price of the Shares and the Specific Mandate Subscription Price. In addition, a longer 1-year period for the Share price analysis serves to filter out short-term market volatility. The Review Period ensures that the comparison between the closing price and the Specific Mandate Subscription Price is grounded in a reasonable historical trend, rather than being influenced by short-term market volatility.

Historical daily closing price per Share



During the Review Period, the closing price of the Shares ranged from HK\$1.50 per Share recorded on January 8, 2025 to HK\$5.23 per Share recorded on February 13, 2026, with an average closing price of HK\$3.34 per Share. The Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period.

The Share price demonstrated a strong upward trajectory during the Review Period. Based on our review of the information published by the Company, we consider that the increase in the Share price was mainly driven by market recognition of the Group's cost-control initiatives and the stability in its raw milk output despite pricing pressures. As discussed in the section headed "1. Information on the Group" above, the Group still maintained strong operational momentum. The Group's raw milk sales volume increased by 24.6% for FY2024 and 13.2% for FY2025, and the Group's gross profit margin increased by 4.9 percentage points for FY2024 and 1.0 percentage point for FY2025. The Share price was also influenced by the market sentiment as reflected by the Hang Seng Index, which increased by 27.8% in 2025. Following the publication of the interim results for the six months ended June 30, 2025 on 22 August 2025, the Share price declined from HK\$4.18 per Share on August 25, 2025 to HK\$2.80 per Share on September 26, 2025, and subsequently rebounded to a peak of HK\$5.16 per Share on January 7, 2026. We have made enquiries with the management of the Company and, save for the disposals of Shares by PAGAC Yogurt Holding II Limited and Meadowland Investment Limited Partnership in September 2025, which may have affected investor confidence, we are not aware of any other information that contributed to the decline in the Share price during the period from August 25, 2025 to September 26, 2025.

The Specific Mandate Subscription Price of HK\$3.92 per Specific Mandate Subscription Share represents a discount of approximately 8.84% to the closing price of HK\$4.30 per Share on the Last Trading Date and a premium of approximately 4.81% to the closing price of HK\$3.74 per Share as at the Latest Practicable Date.

(iii) Historical trading liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of the Shares in issue and held by the public during the Review Period:

			Approximate percentage of average daily trading volume to the total number of the Shares in issue (Note 1)	Approximate percentage of average daily trading volume to the total number of the Shares held by the public (Note 2)
2025				
January	19	8,734,619	0.2244%	0.3396%
February	20	19,141,273	0.4917%	0.7442%
March	21	14,554,943	0.3739%	0.5659%
April	19	21,727,161	0.5581%	0.8448%
May	20	11,034,336	0.2835%	0.4290%
June	21	22,138,846	0.5687%	0.8608%
July	22	30,467,731	0.7827%	1.1846%
August	21	22,162,197	0.5693%	0.8617%
September	22	43,117,197	1.1076%	1.6765%
October	20	17,969,889	0.4616%	0.6987%
November	20	23,877,978	0.6134%	0.9284%
December	21	23,514,259	0.6041%	0.9143%
2026				
January	21	45,548,938	1.0866%	1.5864%
February	17	16,761,872	0.3999%	0.5838%
March	22	26,481,884	0.6317%	0.9223%
From April 1, 2026 to the Latest Practicable Date	16	18,715,189	0.4465%	0.6518%

Notes:

1. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly return of the Company.
2. Based on the number of the Shares held by the public Shareholders as calculated by deducting the number of Shares held by the Yili and its parties acting in concert as at the Latest Practicable Date.

As illustrated in the above table, the trading of the Shares was generally inactive during the Review Period. The maximum average daily trading volume of the Shares in 2025 was approximately 43,117,197 Shares in September 2025, representing approximately 1.1076% of the total issued Shares and approximately 1.6765% of the issued Shares held by the public. The higher trading volume in September 2025 relative to other months in 2025 was mainly due to that (a) PAGAC Yogurt Holding II Limited, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares; and (b) Meadowland Investment Limited Partnership, a substantial Shareholder sold 92,500,000 Shares on September 2, 2025, representing 2.38% of the issued Shares. Such disposals not only directly increased trading volume but also may have affected other investors' confidence in the Shares, further contributing to the overall rise in trading activity.

The maximum average daily trading volume of the Shares in January 2026 was approximately 45,548,938 Shares, representing approximately 1.0866% of the total issued Shares and approximately 1.5864% of the issued Shares held by the public, which we consider was mainly driven by the announcement of the Specific Mandate Subscription.

The generally thin liquidity of the Shares during the Review Period which indicates the potential difficulties in initiating Boyuan to participate in the Specific Mandate Subscription should the Specific Mandate Subscription Price have been set at a premium to the Share price on the Last Trading Date.

(iv) Comparison transactions

To assess the fairness and reasonableness of the Specific Mandate Subscription Price, we have conducted a review of recent market practices involving the issuance of new shares under a specific mandate. We identified an exhaustive list of 7 comparable transactions (the "**Comparable Transactions**") based on the following criteria (the "**Criteria**"): (a) transactions announced by companies listed on the Main Board of the Stock Exchange during the period from July 17, 2025 up to and including the Last Trading Date, being approximately six months prior to the Last Trading Date that allows us to identify sufficient samples of comparable transactions for analysis; (b) transactions involving a connected subscription of new shares under the specific mandate; and (c) transactions that did not involve acquisitions, issuance of convertible bond or A shares, rights issues, open offers, loan capitalisation, or restructuring. Such transactions were excluded as the pricing of such transactions may be influenced by factors and conditions that are not comparable to the Specific Mandate Subscription. The review period for the Comparable Transactions is more condensed than the Review Period for the Share price movement, primarily to strike an optimal balance between maintaining a robust sample size and ensuring the Comparable Transactions reflect the latest market pricing benchmarks.

Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions conducted by companies listed on the Main Board of the Stock Exchange. We are of the view that

the discounts of subscription prices to market prices are not solely determined by these companies' financial performance or funding needs, nor is it merely a result of commercial negotiations with the subscribers. Such discounts are also significantly influenced by prevailing market sentiment. As the market price serves as the most direct reference for independent shareholders, the Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions. Furthermore, as discussed below, there is a lack of recent, comparable transactions among industry peers, and the comparable company analysis is not appropriate. Therefore, we consider that the Comparable Transactions offer a more reliable benchmark for assessing the Specific Mandate Subscription Price and are fair and representative for our analysis.

Company name (stock code)	Date of announcement	Premium/(discount)	Premium/(discount)	Premium/(discount)	
		of the subscription price over/to the closing price per share on the last trading date (the “LTD Premium/ Discount”) (%)	of the subscription price over/to the closing price per share for the last five consecutive trading days immediately prior to and including the last trading date (the “5 Days Premium/ Discount”) (%)	of the subscription price over/to the closing price per share for the last 30 consecutive trading days immediately prior to and including the last trading date (the “30 Days Premium/ Discount”) (%)	of the subscription price over/to the closing price per share for the last 60 consecutive trading days immediately prior to and including the last trading date (the “60 Days Premium/ Discount”) (%)
Energy International Investments Holdings Limited (353)	December 24, 2025	(18.33)	(19.41)	(22.79)	(23.54)
BeijingWest Industries International Limited (2339)	November 17, 2025	(34.21)	(20.00)	(18.17)	(2.35)
China Wacan Group Company Limited (1920)	November 10, 2025	4.34	2.19	–	(7.05)
WuXi XDC Cayman Inc. (2268)	September 3, 2025	(4.00)	(2.87)	1.09	15.07
DL Holdings Group Limited (1709)	August 7, 2025	(11.94)	(12.98)	(16.78)	(11.51)
Tesson Holdings Limited (1201)	July 25, 2025	(16.67)	(19.09)	(11.66)	(6.25)
OSL Group Limited (863)	July 25, 2025	(15.34)	(16.18)	(3.47)	9.15
	Max	4.34	2.19	1.09	15.07
	Min	(34.21)	(20.00)	(22.79)	(23.54)
	Median	(15.34)	(16.18)	(14.22)	(6.25)
	Average	(13.74)	(12.62)	(11.96)	(3.78)
The Company (9858)	January 16, 2026	(8.84)	(17.89)	(15.21)	(3.37)

As shown in the table above:

- (a) the LTD Premium/Discount of the Comparable Transactions ranged from a discount of approximately 34.21% to a premium of approximately 4.34%, with average discount of approximately 13.74% and median discount of approximately 15.34%;
- (b) the 5 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 20.00% to a premium of approximately 2.19%, with average discount of approximately 12.62% and median discount of approximately 16.18%;
- (c) the 30 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 22.79% to a premium of approximately 1.09%, with average discount of approximately 11.96% and median discount of approximately 14.22%; and
- (d) the 60 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 23.54% to a premium of approximately 15.07%, with average discount of approximately 3.78% and median discount of approximately 6.25%.

Each of the LTD Discount, the 5 Days Discount, the 30 Days Discount and the 60 Days Discount represented by the Specific Mandate Subscription Price falls within the range of the Comparable Transactions. The LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions.

We have also conducted an exhaustive search based on the Criteria for comparable transactions conducted by companies listed on the Stock Exchange and engaged in the PRC raw milk industry. However, no comparable transactions were identified. Consequently, we expanded our search criteria to encompass all equity fundraising activities announced by companies listed on the Stock Exchange and engaged in the PRC raw milk industry during 2025. We only noted that AustAsia Group Ltd. (2425.HK) completed a rights issue on August 4, 2025. The LTD Discount, 5 Days Discount, 30 Days Discount and 60 Days Discount of such rights issue amounted to 29.11%, 29.11%, 21.42% and 12.60%, respectively, each of which is higher than the discount represented by the Specific Mandate Subscription Price. Given the nature of a rights issue differs from the Specific Mandate Subscription, such price discounts serve as a supplementary reference for the Independent Shareholders only and the Independent Shareholders should place greater emphasis on our other analysis.

(v) Comparable companies

For the purpose of evaluating the Specific Mandate Subscription Price, we conducted a Bloomberg search for companies comparable to the Company that (a) are listed on the Main Board of the Stock Exchange; (b) derive more than 50% of their revenue from the sale of raw milk in the PRC; and (c) have a market capitalisation within the range of HK\$11.7 billion to HK\$21.7 billion (being approximately plus or minus 30% of the Company's market capitalisation of HK\$16.7 billion on the Last Trading Date, which we consider to be a reasonable range for comparison). Based on these criteria, we identified only one comparable company, namely China Modern Dairy Holdings Ltd. Given the insufficient sample size, we consider a comparison with peer companies to be immaterial for analytical purposes.

(vi) Overall comments

Having considered that:

- (a) the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and
- (b) the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions,

we are of the view that the Specific Mandate Subscription Price is fair and reasonable.

6. Dilution effect on the shareholding interests of the existing public Shareholders

As illustrated by the table under the section headed "Effects on shareholding structure of the Company" of the Letter from the Board, immediately following the completion of the Specific Mandate Subscription, the shareholding interests of the existing public Shareholders in the Company would be diluted from 61.35% to 57.27%. Nonetheless, in view of (i) the reasons for and the benefits of the Specific Mandate Subscription, which is an appropriate fund-raising method currently available to the Company; and (ii) the Specific Mandate Subscription (including the Specific Mandate Subscription Price) being on normal commercial terms and fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

7. Whitewash Waiver

Upon completion of the Specific Mandate Subscription, assuming that there is no other change in the issued share capital of the Company from the date of the Latest Practicable Date to the completion of the Specific Mandate Subscription, the shareholding of Boyuan and the parties acting in concert with it in the Company will increase from approximately 31.51% to approximately 36.07% of the issued share capital of the Company as enlarged by the Specific Mandate Subscription Shares.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of the Specific Mandate Subscription Shares would otherwise give rise to an obligation on the part of Boyuan to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it), unless the Whitewash Waiver is granted by the Executive.

Boyuan has made an application to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer for all Shares and other securities of the Company (other than those already owned or agreed to be acquired by Boyuan and the parties acting in concert with it) under Rule 26.1 of the Takeovers Code with respect to the acquisition of the Specific Mandate Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by the Independent Shareholders by way of poll in respect of the Specific Mandate Subscription, respectively, at the EGM.

Completion of the Specific Mandate Subscription is conditional upon the granting of the Whitewash Waiver. Having taken into consideration (i) the reasons for and benefits of the Specific Mandate Subscription as discussed in the section headed “3. Reasons for and benefits of the Specific Mandate Subscription”; (ii) that the Specific Mandate Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Specific Mandate Subscription would not proceed if the Whitewash Waiver is not granted or approved or is invalidated, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- Continuing the downward trend of recent years, the average price of raw milk in China’s major dairy-producing provinces decreased by 7.8% year-on-year to RMB3.06/kg for the year ended December 31, 2025 from RMB3.32/kg for the year ended December 31, 2024. Although the Group still maintained strong operational momentum, given that raw milk prices have yet to show any significant signs of recovery, we consider the Company’s short-term outlook to remain uncertain;

- The Specific Mandate Subscription demonstrates the confidence of Yili and its parties acting in concert in the industry outlook and the Company's long term business development;
- Debt financing will increase the Company's financial burden and may be subject to lengthy due diligence and negotiations with lenders, while there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer and additional time would be required;
- The Group's net gearing ratio was 176.7% as at December 31, 2025 and it decreased to 152.0% after completion of the Top-up Subscription on January 26, 2026. Taking into account the net proceeds of approximately HK\$1,171.59 million from the Specific Mandate Subscription, the Company's net gearing ratio would further decrease to 131.2%. The Company has completed the Placing and the Top-up Subscription. The Specific Mandate Subscription was negotiated contemporaneously and priced at the same price of HK\$3.92 per Share to maintain consistency across the Company's capital raising exercises and to avoid differential treatment;
- While the Group's operating performance is improving, the Group requires fund to continuously leverage technological advancements to enhance milk yield per milkable cow and cost control. This is essential for maintaining the Group's competitive edge amid the current market conditions of oversupply and downward price pressure. Furthermore, the Group's net gearing ratio remained high, and there is further room and need to optimize finance costs. Although no specific acquisition targets have been identified, maintaining a robust capital buffer is critical for strategic agility. Relying on reactive fundraising only after a target is found risks missing time-sensitive acquisition opportunities. Following the Placing and the Top-up Subscription, Yili's shareholding in the Company was diluted to 31.51%. The Specific Mandate Subscription will (i) maintain the stability of the controlling shareholder's stake; (ii) eliminate placing fees and minimize the time required to identify and negotiate with new subscribers; and (iii) further improve the Company's liquidity levels, optimise its capital structure, and enhance its risk-resistance capabilities;
- The Specific Mandate Subscription Price is fair and reasonable after considering the following:
 - the Specific Mandate Subscription Price represents a premium of approximately 17.27% to the average closing price of the Shares during the Review Period; and

- the LTD Discount and the 60 Days Discount are both lower than the median and average discounts of the Comparable Transactions, while the 5 Days Discount and the 30 Days Discount are close to the median discounts of the Comparable Transactions. The Comparable Transactions provide a meaningful reference range for the discounts of subscription prices to market prices, as typically accepted by independent shareholders under similar market conditions.

Based on the above, we consider that the Specific Mandate Subscription is on normal commercial terms, and the Specific Mandate Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Specific Mandate Subscription and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Specific Mandate Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼: C-030171

The Board of Directors
China Youran Dairy Group Limited
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

30 April 2026

Dear Sirs,

In accordance with your instructions to value the property interests held by **China Youran Dairy Group Limited** (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 January 2026 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued property nos. 5-2, 5-3 and 8-2 in Group I which are held and occupied by the Group in the PRC by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Due to the nature of the buildings and structures of the remaining properties in Group I, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.



In valuing the property interests in Group II which are held under development by the Group (comprising property no. 92 and portions of property nos. 102, 122 and 123), we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the property interest in Group III which is property interest to be acquired by the Group, the Group has entered into State-owned Land Grant Contract of the property with the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificate as at the valuation date, we have attributed no commercial value to property interest.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with the requirements contained in Rule 11 of the Code on Takeovers and Mergers issued by Securities and Futures Commission; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and Building Ownership Certificates and other official documents relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the legal opinion dated 23 April 2026 given by the Company's PRC Legal Advisor – Tian Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.



We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects is satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in March 2026 by 9 technical staff including Arnold Gao, Evelyn Xu, Joan Zhu, Peiling Cai, Queena Qiao, Landy Wu, Angela Wu, Sarah Zhang and Stone Chen. They are either Chartered Surveyor, China Land Valuer, China Real Estate Appraiser or have more than 3 years' experience in the valuation of properties.

Climate change, sustainability, resilience, and ESG are increasingly influencing investment approaches as they may affect prospects for rental and capital growth, and susceptibility to obsolescence. Properties that do not meet the sustainability characteristics expected in the market may represent a higher investment risk, particularly as occupiers become more conscious of ESG impacts on operational workspace, which could impact on vacancy and rental levels. This view is supported by RICS in their recently published guidance note "Sustainability and ESG in commercial property valuation and strategic advice (3rd Edition)."

While some of the sustainability and ESG initiatives are considered subjective and intangible, they cannot always be demonstrated with quantifiable evidence. Based on our research and local market knowledge, there is not yet any direct and tangible evidence of ESG being reflected in specific investment behaviours and/or pricing considerations for assets of a similar nature to the subject property, although it is acknowledged that ESG criteria is forming part of an increasing number of investment mandates. However more tangible benefits such as energy efficiency are realisable in operational costs. We have not undertaken full asset and market investigations in this regard. Whilst there is currently no direct and tangible evidence to suggest that the market is making pricing adjustments for ESG, we will continue to monitor market movements and sentiment.

As at the valuation date, unless otherwise stated, the monetary figures stated in our valuations are in Renminbi ("RMB") in respect of all the properties. The exchange rate adopted in our valuation is Hong Kong Dollar ("HKD") 1=Renminbi ("RMB") 0.8926.

The potential tax liabilities that would arise on the disposal of the property interests in the PRC mainly comprise value-added tax at the standard rate of 9% (or 5% under the simplified taxation method), stamp duty at the rate of 0.05% of the contract price, land appreciation tax at progressive rates ranging from 30% to 60% on the appreciated amount (being the proceeds of sales of the property less deductible expenditure including costs of land, development and construction), and enterprise income tax at the rate of 25% on the gain (which may be reduced to 15% where preferential tax treatment applies). The actual tax rates and liabilities upon disposal will be subject to confirmation by the relevant tax authorities.

Except for portions of Property No. 92 which are scheduled to be disposed of in the future, in respect of the remaining properties held and occupied or under construction by the Group for dairy farm, feed production, forage grass plantation, office and ancillary purposes, considering the Group's nature of business in agriculture, forestry, animal husbandry, and fishery, the likelihood of the relevant tax liabilities crystallizing is remote as the Group has no plans for the disposal of such properties yet.



Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

A handwritten signature in black ink, appearing to read "Eddie T. W. Yiu", with a long, sweeping vertical stroke extending downwards.

Eddie T. W. Yiu
MHKIS, MRICS, R.P.S.(GP)
Senior Director

Notes:

Eddie T.W. Yiu is a Chartered Surveyor who has 32 years' experience in the valuation of various sectors of the property industry in Hong Kong and experience in the PRC as well as relevant experience in the Asia-Pacific region.



THE COMPANY AND ITS SUBSIDIARIES

Abbreviation:

GFA: Gross Floor Area

NCV: No commercial value

“—”: Not Applicable or not available

We listed all relevant companies and the equity interests as below:

Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
內蒙古伊禾綠錦農業發展有限公司	Inner Mongolia Yihelvjin Agricultural Development Co., Ltd.	100%
內蒙古牧泉元興飼料有限責任公司	Inner Mongolia Muquan Yuanxing Feed Co., Ltd.	100%
巴彥淖爾市牧泉元興飼料有限責任公司	Bayan Naur Muquan Yuanxing Feed Co., Ltd.	100%
烏蘭察布市牧泉元興飼料有限責任公司	Ulanqab Muquan Yuanxing Feed Co., Ltd.	100%
寧夏伊康元生物科技有限公司	Ningxia Yikangyuan Biotechnology Co., Ltd.	100%
大慶牧泉元興生物科技有限責任公司	Daqing Muquan Yuanxing Biotechnology Co., Ltd.	100%
杜爾伯特牧泉元興飼料有限責任公司	Dorbod Muquan Yuanxing Feed Co., Ltd.	100%
河北牧泉元興生物科技有限責任公司	Hebei Muquan Yuanxing Biotechnology Co., Ltd.	100%
山東牧泉元興生物科技有限責任公司	Shandong Muquan Yuanxing Biotechnology Co., Ltd.	100%
內蒙古優然牧業有限責任公司	Inner Mongolia Youran Husbandry Co., Ltd.	100%
合肥優然牧業有限責任公司	Hefei Youran Husbandry Co., Ltd.	100%
吳忠優然牧業有限責任公司	Wuzhong Youran Husbandry Co., Ltd.	100%
達拉特旗優然牧業有限責任公司	Dalad Banner Youran Husbandry Co., Ltd.	100%
杜爾伯特蒙古族自治縣中都畜牧有限責任公司	Dorbod Mongol Autonomous County Zhongdu Husbandry Co., Ltd.	100%
濟南優然牧業有限責任公司	Jinan Youran Husbandry Co., Ltd.	100%
阜新優然牧業有限責任公司	Fuxin Youran Husbandry Co., Ltd.	100%
黃岡優然牧業有限責任公司	Huanggang Youran Husbandry Co., Ltd.	100%
成都優然牧業有限責任公司	Chengdu Youran Husbandry Co., Ltd.	100%



Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
南京優然牧業有限責任公司	Nanjing Youran Husbandry Co., Ltd.	100%
內蒙古優然牧業有限責任公司托克托縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Tuoketuo County Branch	100%
內蒙古優然牧業有限責任公司清水河縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Qingshuihe County Branch	100%
內蒙古優然牧業有限責任公司武川縣分公司	Inner Mongolia Youran Animal Husbandry Co., Ltd. Wuchuan County Branch	100%
黃岡優然牧業有限責任公司武穴分公司	Huanggang Youran Animal Husbandry Co., Ltd. Wuxue Branch	100%
銅川優然牧業有限責任公司	Tongchuan Youran Husbandry Co., Ltd.	100%
錫林浩特市優然牧業有限責任公司	Xilinhot Youran Husbandry Co., Ltd.	100%
林甸優然牧業有限責任公司	Lindian Youran Husbandry Co., Ltd.	100%
呼倫貝爾優然牧業示範牧場有限責任公司	Hulunbair Youran Husbandry Model Farm Co., Ltd.	100%
平頂山優然牧業有限責任公司	Pingdingshan Youran Husbandry Co., Ltd.	100%
武威市優然牧業有限責任公司	Wuwei Youran Husbandry Co., Ltd.	100%
興安盟優然牧業有限責任公司	Xing'anmeng Youran Husbandry Co., Ltd.	100%
通遼優然牧業有限責任公司	Tongliao Youran Husbandry Co., Ltd.	100%
駐馬店優然牧業有限責任公司	Zhumadian Youran Husbandry Co., Ltd.	100%
呼和浩特優然牧業有限責任公司	Hohhot Youran Husbandry Co., Ltd.	100%
呼和浩特金河優然牧業有限責任公司	Hohhot Jinhe Youran Husbandry Co., Ltd.	100%
洛陽優然牧業有限責任公司	Luoyang Youran Husbandry Co., Ltd.	100%
合肥元興牧業有限責任公司	Hefei Yuanxing Animal Husbandry Co., Ltd.	100%
濰坊優然牧業有限責任公司	Weifang Youran Husbandry Co., Ltd.	100%
壽光優然牧業有限責任公司	Shouguang Youran Husbandry Co., Ltd.	100%
開魯優然牧業有限責任公司	Kailu Youran Husbandry Co., Ltd.	100%



Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
聊城優然牧業有限責任公司	Liaocheng Youran Husbandry Co., Ltd.	100%
雲南優然牧業有限責任公司	Yunnan Youran Husbandry Co., Ltd.	100%
昌吉優然牧業有限責任公司	Changji Youran Husbandry Co., Ltd.	100%
昌邑優然牧業有限責任公司	Changyi Youran Husbandry Co., Ltd.	100%
山西優然牧業有限責任公司	Shanxi Youran Husbandry Co., Ltd.	100%
寒亭優然牧業有限責任公司	Hanting Youran Husbandry Co., Ltd.	100%
平涼優然牧業有限責任公司	Pingliang Youran Husbandry Co., Ltd.	100%
清水河優然牧業有限責任公司	Qingshui River Youran Husbandry Co., Ltd.	100%
唐山優然牧業有限責任公司	Tangshan Youran Husbandry Co., Ltd.	100%
安達市優然牧業有限責任公司	Anda Youran Animal Husbandry Co., Ltd.	100%
獻縣優然牧業有限責任公司	Xianxian Youran Husbandry Co., Ltd.	100%
托克托縣優然牧業有限責任公司	Tuoketuoxian Youran Husbandry Co., Ltd.	100%
山西優然天合牧業有限責任公司	Shanxi Youran-Tianhe Husbandry Co., Ltd.	100%
肇東市長青畜牧有限公司	Zhaodong Changqing Husbandry Co., Ltd.	100%
張北中都畜牧有限責任公司	Zhangbei Zhongdu Husbandry Co., Ltd.	100%
內蒙古敕勒川旅遊文化有限公司	Inner Mongolia Chilechuan Tourism and Culture Co., Ltd.	100%
內蒙古優創實業有限責任公司	Inner Mongolia Youchuang Industrial Co., Ltd.	100%
咸陽優然智慧牧業有限責任公司	Xianyang Youran Smart Animal Husbandry Co., Ltd.	100%
內蒙古犇騰牧業有限公司	Inner Mongolia Best Holsteins Co., Ltd.	66.86%
內蒙古賽科星牧業有限公司	Inner Mongolia Saikexing Animal Husbandry Co., Ltd.	66.86%
清水河賽科星牧業有限責任公司	Qingshuihe Saikexing Animal Husbandry Co., Ltd.	66.86%
鄂爾多斯市賽科星養殖有限責任公司	Ordos Saikexing Breeding Co., Ltd.	66.86%
達拉特旗賽優牧業有限公司	Dalad Banner Saiyou Animal Husbandry Co., Ltd.	66.86%



Holding Entity (Chinese)	Holding Entity (English)	Equity interests owned by the Company
鄂托克旗賽優牧業有限公司	Otog Banner Saiyou Animal Husbandry Co., Ltd.	66.86%
巴彥淖爾賽科星牧業有限責任公司	Bayannur Saikexing Animal Husbandry Co., Ltd.	66.86%
寧夏賽科星養殖有限責任公司	Ningxia Saikexing Breeding Co., Ltd.	66.86%
河北犇放牧業有限公司	Hebei Benfang Animal Husbandry Co., Ltd.	66.86%
武強賽優牧業有限公司	Wuqiang Saiyou Animal Husbandry Co., Ltd.	66.86%
滄州賽科星牧業有限公司	Cangzhou Saikexing Animal Husbandry Co., Ltd.	66.86%
定州市賽科星伊人牧業有限公司	Dingzhou Saikexing Iren Animal Husbandry Co., Ltd.	66.86%
北京海華雲都生態農業有限公司	Beijing Haihua Yundu Ecological Agriculture Co., Ltd.	66.86%
承德賽優牧業有限公司	Chengde Saiyou Animal Husbandry Co., Ltd.	66.86%
華夏畜牧興化有限公司	Huaxia Animal Husbandry Xinghua Co., Ltd.	66.86%
尋甸賽優牧業有限公司	Xundian Saiyou Animal Husbandry Co., Ltd.	66.86%
呼倫貝爾市賽優牧業有限公司	Hulunbuir Saiyou Animal Husbandry Co., Ltd.	66.86%
呼倫貝爾賽科星牧業有限責任公司	Hulunbuir Saikexing Animal Husbandry Co., Ltd.	66.86%
內蒙古賽科星繁育生物技術(集團)股份有限公司	Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd.	66.86%
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 Saikexing Livestock Seed Industry and Breeding Biotechnology Research Institute Co., Ltd.	66.86%
內蒙古賽科星肉牛良種繁育有限公司	Inner Mongolia Saikexing Beef Cattle Elite Breeding Co., Ltd.	66.86%
濟南市賽科星牧業有限公司	Jiyuan Saikexing Animal Husbandry Co., Ltd.	66.86%



SUMMARY OF VALUES

Property Group	Property No.	Market value attributable to the Group as at 31 January 2026 RMB
Group I — Property interests held and occupied by the Group in the PRC	Nos. 1 to 4, 5-2, 5-3, 6, 7, 8-1, 8-2, 9 to 91, 93 to 101 and 103 to 121, portions of nos. 5-1, 102, 122 and 123	609,551,000 (Refer to the notes 2, 3 and 4)
Group II — Property interests held and under construction by the Group in the PRC	No. 92, portions of nos. 102, 122 and 123	88,164,000 (Refer to the note 5)
Group III — Property interest contracted to be acquired by the Group in the PRC	Portions of no. 5-1	No commercial value (Refer to the note 6)
Total:		697,715,000 (Equivalent to approximately HKD781,663,000)

Notes:

1. The exchange rate adopted in our valuation is HKD1=RMB0.8926 which was the middle rate published by the Bank of China as at the valuation date.
2. For the portion of the Group's assets of which land use rights and building ownership certificates have been obtained in Group I, we have provided our opinion of the market value for them (including land, buildings and structures erected on the land). For the portion of the Group's assets of which building ownership certificates have not been obtained and/or in leased land nature in Group I, we have attributed no commercial value to them. However, for reference purposes, we have provided our opinion of the depreciated replacement cost of such assets (including buildings and structures).
3. Due to the lack of proper building title certificates, we have relied on the legal opinion and attributed no commercial value to several buildings of properties nos. 2, 3, 4, 7, 8-1, 33, 58, 60, 62, 72 and 117 in Group I, which were constructed by the Group on its own land. For reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the valuation date would be RMB130,232,000 (Equivalent to approximately HKD145,902,000).
4. We have attributed no commercial value to property nos. 1, 10 to 32, 34 to 49, 52, 53, 55 to 57, 59, 61, 63 to 71, 73 to 91, 93 to 99, 101 to 104, 106 to 116, 122 and 123, portions of property nos. 33, 50, 51, 54, 58, 60, 62, 72, 100, 105, 117, 118, 120 and 121 in Group I due to the leased land nature. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the buildings and the structures of these properties as at the



valuation date would be RMB14,324,377,000 (Equivalent to approximately HKD16,047,923,000).

5. For property no. 92, the Group has obtained the Land Use Rights Certificate and relevant construction approvals and therefore we have provided our opinion of its market value. We have attributed no commercial value to portions of property nos. 102, 122 and 123 in Group II due to the leased land nature of the properties. For reference purposes, we are of the opinion that the replacement cost of these buildings and structures under construction of the properties would be RMB5,344,000 (Equivalent to approximately HKD5,988,000).
6. We have attributed no commercial value to a parcel of land of property no. 5-1 in Group III as the State-owned Land Use Rights Certificate has not yet been obtained as at the valuation date. For reference purposes, we are of the opinion that the market value of this parcel of land as at the valuation date would be RMB5,566,000 (Equivalent to approximately HKD6,236,000).

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
1. 17 buildings and various structures located at Taiben Gacha, Shaogen Town, Ar Horqin Banner, Chifeng City, Inner Mongolia Autonomous Region, the PRC 內蒙古伊禾綠錦	The property comprises 17 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2017. The 17 buildings have a total gross floor area of approximately 27,278.91 sq.m., mainly including office building, dormitory, hay barn and ancillary building. The structures mainly include boundary walls, roads, drainage ditch and water well.	As at the valuation date, the property was occupied by the Group for office, dormitory, warehouse and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yihelvjin Agricultural Development Co., Ltd. (內蒙古伊禾綠錦農業發展有限公司, "Yihelvjin Agricultural", a wholly-owned subsidiary of the Company) and Taiben Gacha Village Committee and villagers (太本嘎查村委會及村民), the land use rights of various parcels of land with a total site area of approximately 24,831,604.16 sq.m. (37,247.22 Mu), on which the property is erected, were leased to Yihelvjin Agricultural for a term commencing from 1 January 2014 and expiring on 30 December 2026 at an annual rental of RMB100 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the 17 buildings and the structures as at the valuation date would be RMB27,005,000 (Equivalent to HKD30,254,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
2. A parcel of land, 38 buildings and various structures located at No. 169, 13 km West Hehe Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC 內蒙古牧泉元興	The property comprises a parcel of land with a site area of approximately 91,102.60 sq.m. and 38 buildings and various structures erected thereon which were completed between 2000 and 2017. The buildings of the property have a total gross floor area of approximately 24,029.13 sq.m. mainly include office building, warehouse, production workshops, dormitory building and ancillary buildings. The structures of the property mainly include roads, pipelines, boundary walls and fences. The land use rights of the property have been granted for a term expiring on 4 November 2053 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	42,646,000 (Equivalent to HKD47,777,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Hu Guo Yong (2005) Zi Di No. 00350, the land use rights of a parcel of land with a site area of approximately 91,102.6 sq.m. have been granted to Inner Mongolia Muquan Yuanxing Feed Co., Ltd. (內蒙古牧泉元興飼料有限責任公司, "Inner Mongolia Muquan Yuanxing", a wholly-owned subsidiary of the Company) for a term expiring on 4 November 2053 for industrial use.
- Pursuant to 11 Building Ownership Certificate – Hu Fang Quan Zheng Xin Cheng Qu Zi Di Nos. 2006005244, 2006005315 2006005323, 2006005331, 20060055354, 2006005361, 2006005367, 2006005371, 2006005374, 2006005381 and 2006005387, 23 buildings with a total gross floor area of approximately 17,025.53 sq.m. are owned by Inner Mongolia Muquan Yuanxing.
- Inner Mongolia Muquan Yuanxing has obtained the Land Use Rights Certificate and Building Ownership Certificate for a parcel of land and 23 buildings mentioned in notes 1 and 2, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to 15 buildings with a total gross floor area of approximately 7,003.6 sq.m. due to lack of Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them as at the valuation date would be RMB837,000 (Equivalent to HKD938,000).



4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the buildings mentioned in note 2 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. With respect to buildings mentioned in note 3 constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, due to historical issues, Inner Mongolia Muquan Yuanxing is encountering certain difficulties in processing Real Estate Title Certificates for the 15 buildings mentioned in note 3, but efforts to complete the registration are still ongoing. As the total area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	A parcel of land, 18 buildings and various structures located at No. 4, Fuyuan North Road, Economic and Technological Development Zone, Linhe District, Bayannur City, Inner Mongolia Autonomous Region, the PRC 巴彥淖爾牧泉元興 The property comprises a parcel of land with a site area of approximately 60,445.59 sq.m. and 18 buildings and various structures erected thereon which were completed between 2007 and 2021. The buildings of the property have a total gross floor area of approximately 7,502.68 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include roads, pipelines, boundary walls & fences, pools, canopy and flag mast. The land use rights of the property have been granted for a term expiring on 20 October 2057 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	20,821,000 (Equivalent to HKD23,326,000) (Refer to note 2)

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2021) Ba Shi Bu Dong Chan Quan Di No. 0026412, the land use rights of a parcel of land with a site area of approximately 60,445.59 sq.m. have been granted to Bayan Naur Muquan Yuanxing Feed Co., Ltd. (巴彥淖爾市牧泉元興飼料有限公司, “Bayan Naur Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 20 October 2057 for industrial use. 13 buildings of the property with a gross floor area of approximately 7,188.32 sq.m. are owned by Bayan Naur Muquan Yuanxing.
- Bayan Naur Muquan Yuanxing has obtained the Real Estate Title Certificate for a parcel of land and 13 buildings mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to 5 buildings with a total gross floor area of approximately 314.36 sq.m. due to lack of Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them as at the valuation date would be RMB581,000 (Equivalent to HKD651,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:



- a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the buildings mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. With respect to buildings mentioned in note 2 constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, due to historical issues, Bayan Naur Muquan Yuanxing is encountering certain difficulties in processing Real Estate Title Certificates for the 5 buildings mentioned in note 2, but efforts to complete the registration are still ongoing. As the total area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	A parcel of land, 13 buildings and various structures located at the western side of National Highway 208, Chahar Industrial Park, Qahar Right Front Banner, Ulanqab City, Inner Mongolia Autonomous Region, the PRC 烏蘭察布牧泉元興 The property comprises a parcel of land with a site area of approximately 63,577.10 sq.m. and 13 buildings and various structures erected thereon which were completed between 2009 and 2023. The buildings of the property have a total gross floor area of approximately 19,630.21 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include boundary walls, fire water tank and roads. The land use rights of the property have been granted for a term expiring on 30 December 2056 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	37,475,000 (Equivalent to HKD41,984,000) (Refer to note 2)

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2023) Qahar Right Front Qian Qi Bu Dong Chan Quan Di No. 0005392, the land use rights of a parcel of land with a site area of approximately 63,577.1 sq.m. have been granted to Ulanqab Muquan Yuanxing Feed Co., Ltd. (烏蘭察布市牧泉元興飼料有限責任公司, “Ulanqab Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 30 December 2056 for industrial use. 12 buildings of the property with a gross floor area of approximately 17,879.29 sq.m. are owned by Ulanqab Muquan Yuanxing.
- Ulanqab Muquan Yuanxing has obtained the Real Estate Title Certificate for a parcel of land and 12 buildings mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to a building with a gross floor area of approximately 1,750.92 sq.m. due to lack of Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them as at the valuation date would be RMB3,044,000 (Equivalent to HKD3,410,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC



law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;

- b. The Group legally and validly owns the ownership rights to the buildings mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. With respect to buildings mentioned in note 2 constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, the building mentioned in note 2 is in the process of applying for the issuance of Real Estate Title Certificate and is expected to obtain it by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
5-1. 2 parcels of land, 13 buildings and various structures located at the western side of Nan Street, the southern side of the western section of Jinliao Highway, Jinji Industrial Park, Wuzhong City, Ningxia Hui Autonomous Region, the PRC 寧夏伊康元	The property comprises 2 parcels of land with a total site area of approximately 74,609.90 sq.m. and 13 buildings and various structures erected thereon which were completed in 2016. The buildings of the property have a total gross floor area of approximately 15,598.44 sq.m. mainly include composite building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include grain silos, roads, pipelines, canopy, chimney, flag mast. The land use rights of a parcel of land have been granted for a term expiring on 31 October 2065 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	54,075,000 (Equivalent to HKD60,581,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to 13 Real Estate Title Certificates – Ning (2020) Li Tong Qu Bu Dong Chan Quan Di Nos. W0008758 to W0008770, the land use rights of a parcel of land with a site area of approximately 45,314.90 sq.m. have been granted to Ningxia Yikangyuan Biotechnology Co., Ltd. (寧夏伊康元生物科技有限公司, “Ningxia Yikangyuan Biotechnology”, a wholly-owned subsidiary of the Company) for a term expiring on 31 October 2065 for industrial use. 13 buildings of the property with a total gross floor area of approximately 15,598.44 sq.m. are owned by Ningxia Yikangyuan Biotechnology.
- Pursuant to a State-owned Land Use Rights Grant Contract — Wu Zi Ran (He) Zi No. 2022-27 dated 20 September 2022, the land use rights of the remaining parcel of land of the property with a site area of approximately 29,295 sq.m. were contracted to be granted to Ningxia Yikangyuan Biotechnology for a term of 50 years for industrial use commencing from the land delivery date. The land premium was RMB5,654,000.
- Ningxia Yikangyuan Biotechnology has obtained the Real Estate Title Certificate for a parcel of land and 13 buildings mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to a parcel of land with a site area of approximately 29,295.00 sq.m. as the State-owned Land Use Rights Certificate has not yet been obtained as at the valuation date. However, for reference purpose, we are of the opinion that the market value of this parcel of land as at the valuation date would be

RMB5,566,000 (Equivalent to HKD6,236,000).

4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates mentioned in note 1 and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the buildings mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The Group has entered into the State-owned Land Use Rights Grant Contract for the land mentioned in note 2. According to the Company's description, the Group is currently in the process of coordinating the application for the State-owned Land Use Rights Certificate.
5. For the purpose of this report, the property is classified into the following group according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market Value in existing state as at the valuation date (RMB)	Market Value for reference (for property without proper title certificates) as at the valuation date (RMB)
Group I – Property interests held and occupied by the Group in the PRC	54,075,000	-
Group III — Property interest contracted to be acquired by the Group in the PRC	No commercial value	5,566,000
Total:	<u>54,075,000</u> (Equivalent to HKD60,581,000)	<u>5,566,000</u> (Equivalent to HKD6,236,000)



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
5-2. Commercial units Nos. 05 and 06 on Level 11 of Building No. 1 of Tian Yi Cai Fu Plaza located at Cang Hai Road, Liangzhou District, Wuwei City, Gansu Province, the PRC 天一財富廣場	The property comprises 2 commercial units on Level 11 of a composite building which was completed in 2016. The units of the property have a total gross floor area of approximately 85.74 sq.m. The land use rights of the property have been granted for a term expiring on 8 July 2056 for commercial, financial, and information uses.	As at the valuation date, the property was vacant.	583,000 (Equivalent to HKD654,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Gan (2025) Liang Zhou District Bu Dong Chan Quan Di No. 000011, the land use rights of the property have been granted to Ningxia Yikangyuan Biotechnology Co., Ltd. (寧夏伊康元生物科技有限公司, “Ningxia Yikangyuan Biotechnology”, a wholly-owned subsidiary of the Company) for a term expiring on 8 July 2056 for commercial, financial, and information uses. 2 units of the property with a total gross floor area of approximately 85.74 sq.m. are owned by Ningxia Yikangyuan Biotechnology.
2. In undertaking our valuation of the property, considering the location, size, usage, building quality and condition of the property, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property and the unit price of these comparable properties ranges from RMB6,700 to RMB6,900 per sq.m. for commercial and office units. Appropriate adjustments and analysis are considered to the differences in location, size, building age and other characters between the comparable properties and the property to arrive at the market value unit rate of the property.
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and



- b. The Group legally and validly owns the ownership rights to the property and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such property through other lawful means. As of 31 January 2026, the aforementioned property is not subject to any mortgage or other encumbrances or restrictions on rights.
- 4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
5-3. Unit 1141 on Level 14 of Building No. 1 Xingchen Xinghewan located at No. 90 Wu An Dong Street Liangzhou District, Wuwei City, Gansu Province, the PRC 星辰·星河灣	The property comprises a residential unit on Level 14 of a residential building which was completed in 2017. The property has a gross floor area of approximately 129.40 sq.m. The land use rights of the property have been granted for a term expiring on 29 November 2087 for residential use.	As at the valuation date, the property was vacant.	728,000 (Equivalent to HKD816,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Gan (2025) Liang Zhou District Bu Dong Chan Quan Di No. 0007496, the land use rights of the property have been granted to Ningxia Yikangyuan Biotechnology Co., Ltd. (寧夏伊康元生物科技有限公司, “Ningxia Yikangyuan Biotechnology”, a wholly-owned subsidiary of the Company) for a term expiring on 29 November 2087 for residential use. The property with a gross floor area of approximately 129.40 sq.m. is owned by Ningxia Yikangyuan Biotechnology.
2. In undertaking our valuation of the property, considering the location, size, usage, building quality and condition of the property, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property and the unit price of these comparable properties ranges from RMB5,500 to RMB5,800 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size, building age and other characters between the comparable properties and the property to arrive at the market value unit rate of the property.
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. The Group legally and validly owns the ownership rights to the property and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such property through other lawful means. As of 31 January 2026, the aforementioned property is not subject to any mortgage or other encumbrances or restrictions on rights.



4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
6. A parcel of land, 18 buildings and various structures located at Changqing Forest Farm Industrial Park, Sijiqing Town, Lindian County, Daqing City, Heilongjiang Province, the PRC 大慶牧泉元興	The property comprises a parcel of land with a site area of approximately 61,052.00 sq.m. and 18 buildings and various structures erected thereon which were completed in 2022. The buildings of the property have a total gross floor area of approximately 14,184.72 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include storage facilities, roads, pipelines, boundary walls & fences, gas supply facility. The land use rights of the property have been granted for a term expiring on 30 May 2070 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	67,065,000 (Equivalent to HKD 75,134,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Hei (2025) Lin Dian Xian Bu Dong Chan Quan Di No. 0004273, the land use rights of a parcel of land with a site area of approximately 61,052 sq.m. have been granted to Daqing Muquan Yuanxing Biotechnology Co., Ltd. (大慶牧泉元興生物科技有限责任公司, “Daqing Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 30 May 2070 for industrial use. 18 buildings of the property with a total gross floor area of approximately 14,184.72 sq.m. are owned by Daqing Muquan Yuanxing.
2. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and



- b. The Group legally and validly owns the ownership rights to the buildings and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights.
3. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
7. A parcel of land, 20 buildings and various structures located at Delig'er Industrial Park, Qianfeng Village, Taikang Town, Daqing City, Heilongjiang Province, the PRC 杜爾伯特牧泉元興	The property comprises a parcel of land with a site area of approximately 34,500.00 sq.m. and 20 buildings and various structures erected thereon which were completed between 2004 and 2025. The buildings of the property have a total gross floor area of approximately 8,158.13 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include grain silos, roads, pipelines, boundary walls & fences, and pools. The land use rights of the property have been granted for a term expiring on 25 April 2052 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	11,437,000 (Equivalent to HKD12,813,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Du Er Bo Te Xian Guo Yong (2013) Di No. 001831, the land use rights of a parcel of land with a site area of approximately 34,500 sq.m. have been granted to Dorbod Muquan Yuanxing Feed Co., Ltd. (杜爾伯特牧泉元興飼料有限責任公司, “Dorbod Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 25 April 2052 for industrial use.
- Pursuant to 10 Building Ownership Certificates – Du Fang Quan Zheng Tai Kang Zhen Zi Di Nos. G0001A, G0056A, G0100A, G0495A, G0833A, G0977A, G1062A, G1872, G1873 and G1874, 11 buildings of the property with a total gross area of approximately 6,936.31 sq.m. are owned by Dorbod Muquan Yuanxing.
- Dorbod Muquan Yuanxing has obtained the Land Use Rights Certificate and Building Ownership Certificate for a parcel of land and 11 buildings mentioned in notes 1 and 2, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to 9 buildings with a total gross floor area of approximately 1,221.82 sq.m. due to lack of Building Ownership Certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them as at the valuation date would be



RMB4,440,000 (Equivalent to HKD4,974,000).

4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the buildings mentioned in note 2 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. With respect to buildings mentioned in note 3 constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, due to historical issues, Dorbod Muquan Yuanxing is encountering certain difficulties in processing Real Estate Title Certificates for the 9 buildings mentioned in note 3, but efforts to complete the registration are still ongoing. As the total area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
8-1. A parcel of land, 13 buildings and various structures located at the northern side of Shuangtian Road, Shuangtian Industrial Park, Dingningdian Town, Dingzhou City, Hebei Province, the PRC 河北牧泉元興	The property comprises a parcel of land with a site area of approximately 33,333.34 sq.m. and 13 buildings and various structures erected thereon which were completed in 2024. The buildings of the property have a total gross floor area of approximately 23,447.11 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include boundary walls and roads. The land use rights of the property have been granted for a term expiring on 1 September 2071 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	17,809,000 (Equivalent to HKD19,952,000) <i>(Refer to note 4)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Ji (2021) Ding Zhou Shi Bu Dong Chan Quan Di No. 0006747, the land use rights of a parcel of land with a site area of approximately 33,333.34 sq.m. have been granted to Hebei Muquan Yuanxing Biotechnology Co., Ltd. (河北牧泉元興生物科技有限责任公司, “Hebei Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 1 September 2071 for industrial use.
- Pursuant to a Construction Work Planning Permit – Ding Jian Zi Di No. 130682202100168 in favour of Hebei Muquan Yuanxing, the buildings of the property have been approved for construction.
- Pursuant to a Construction Work Commencement Permit – No. 130682202203080101 in favour of Hebei Muquan Yuanxing, permission by the relevant local authority was given to commence the construction work of the property.
- Hebei Muquan Yuanxing has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 13 buildings with a total gross floor area of approximately 23,447.11 sq.m. due to lack of Real Estate Title Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them as at the valuation date would be RMB66,099,000 (Equivalent to HKD74,052,000).



5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. With respect to buildings mentioned in note 2 constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, the 13 buildings mentioned in note 4 are in the process of applying for the issuance of Real Estate Title Certificates and are expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates.
6. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
8-2. Units 2-201 and 3-201 of Building No. 118 of Er Hao Di, the North Area of Dong Fang Jia Yuan located at Hangu Administration District, Tangshan City, Hebei Province, the PRC 東方嘉苑	The property comprises 2 residential units on Level 2 of a 7-storey residential building which was completed in 2019. The property has a total gross floor area of approximately 258.15 sq.m. The land use rights of the property have been granted for a term expiring on 17 December 2084 for residential use.	As at the valuation date, the property was occupied by the Group for residential use.	1,123,000 (Equivalent to HKD1,258,000)

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Ji (2025) Han Gu Guan Li Qu Bu Dong Chan Quan Di No. 0000448 and 0000449, the land use rights of the property have been granted to Hebei Muquan Yuanxing Biotechnology Co., Ltd. (河北牧泉元興生物科技有限责任公司, “Hebei Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 17 December 2084 for residential use. 2 residential units with a total gross floor area of approximately 258.15 sq.m. are owned by Hebei Muquan Yuanxing.
2. In undertaking our valuation of the property, considering the location, size, usage, building quality and condition of the property, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property and the unit price of these comparable properties ranges from RMB4,200 to RMB4,400 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size, building age and other characters between the comparable properties and the property to arrive at the market value unit rate of the property.
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. The Group legally and validly owns the ownership rights to the property and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned property is not subject to any mortgage or other encumbrances or restrictions on rights.



4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
9. A parcel of land, 18 buildings and various structures located at Southeast of Botou Village, Xiaozhi Town, Pingyin County, Jinan City, Shandong Province the PRC 山東牧泉元興	The property comprises a parcel of land with a site area of approximately 66,747.00 sq.m. and 18 buildings and various structures erected thereon which were completed in 2021. The buildings of the property have a total gross floor area of approximately 9,922.76 sq.m. mainly include office building, warehouse, production workshop, and ancillary buildings. The structures of the property mainly include roads, boundary walls & fences, canopy, flag mast. The land use rights of the property have been granted for a term expiring on 8 April 2070 for industrial use.	As at the valuation date, the property was occupied by the Group for office, production, warehouse and ancillary purposes.	65,920,000 (Equivalent to HKD73,852,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Lu (2023) Ping Yin Xian Bu Dong Chan Quan Di No. 0007612, the land use rights of a parcel of land with a site area of approximately 66,747 sq.m. have been granted to Shandong Muquan Yuanxing Biotechnology Co., Ltd. (山東牧泉元興生物科技有限責任公司, “Shandong Muquan Yuanxing”, a wholly-owned subsidiary of the Company) for a term expiring on 8 April 2070 for industrial use. 18 buildings of the property with a total gross floor area of approximately 9,922.76 sq.m. are owned by Shandong Muquan Yuanxing.
2. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and



- b. The Group legally and validly owns the ownership rights to the buildings and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights.
3. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
10. 3 buildings and various structures of Gaoquanying 2000-Head Dairy Farm, located at 40m South of Township Road 311, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 高泉營二千頭牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2014. The 3 buildings have a total gross floor area of approximately 763.49 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, hay sheds, concentrate towers, silage cellars and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Villagers Committee of Gaoquanying Village, Zhijiliang Township, Tumote Left Banner (土默特左旗只幾梁鄉高泉營村村民委員會), the land use rights of a parcel of land with a site area of approximately 214,227.74 sq.m. (321.34 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 21 October 2042 at nil rent.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB19,512,000 (Equivalent to HKD21,860,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
11. 3 buildings and various structures of Gaoquanying 1000-Head Dairy Farm, located at 40m South of Township Road 311, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 高泉營千頭牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 749.84 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Government of Zhijiliang Township, Tumote Left Banner (土默特左旗只幾梁鄉政府), the land use rights of a parcel of land with a site area of approximately 78,667.06 sq.m. (118 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 11 May 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB6,810,000 (Equivalent to HKD7,629,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
12. 3 buildings and various structures of Yaoziwan 1000-Head Dairy Farm, located at Baizhihu Village, Chengbei Line, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 窯子灣千頭牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2009. The 3 buildings have a total gross floor area of approximately 749.84 sq.m., mainly including office building, power distribution room and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Government of Bashixiang Township, Tumote Left Banner (土默特左旗只把什鄉政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 31 July 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB5,666,000 (Equivalent to HKD6,348,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
13. 3 buildings and various structures of Lancan Dairy Farm, located at Lancan Village, Chasuqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 蘭燦牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 749.84 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Government of Suqi Township, Tumote Left Banner (土默特左旗素齊鎮鄉政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 31 July 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB5,236,000 (Equivalent to HKD5,866,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
14. 5 buildings and various structures of Nashitu Dairy Farm, located at Nashitu Village, Chasuqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 那什圖牧場	The property comprises 5 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2015. The 5 buildings have a total gross floor area of approximately 503.80 sq.m., mainly including office building, dormitory building and ancillary building. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility, concentrate towers and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Nashitu Villagers' Committee, Bashi Regional Service Center, Chasuqi Town, Tumote Left Banner (土默特左旗察素齊鎮把什區域服務中心那什圖村民委員會), the land use rights of a parcel of land with a site area of approximately 500,002.50 sq.m. (750 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 23 August 2040.
2. In the valuation of this property, we have attributed no commercial value to the 5 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB31,758,000 (Equivalent to HKD35,579,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
15. 4 buildings and various structures of Yushigeqi Dairy Farm, located at West of Yushigeqi Village, Tabusai Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 雨施格氣牧場	The property comprises 4 buildings and various structures erected on leased land, which were completed in 2010. The 4 buildings have a total gross floor area of approximately 530.54 sq.m., mainly including composite building, power distribution room and ancillary building. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the People's Government of Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 30 July 2038.
- In the valuation of this property, we have attributed no commercial value to the 4 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB5,151,000 (Equivalent to HKD5,771,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
16. 4 buildings and various structures of Shaliang Dairy Farm, located at Shaliang Village, Shandai Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 沙梁牧場	The property comprises 4 buildings and various structures erected on leased land, which were completed in 2014. The 4 buildings have a total gross floor area of approximately 4,893.14 sq.m., mainly including office building, power distribution room and ancillary building. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate towers and composting area.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Villagers Committee of Shaliang Village, Shandai Town, Tumote Left Banner (土默特左旗善岱鎮沙梁村村民委員會), the land use rights of a parcel of land with a site area of approximately 505,335.86 sq.m. (758 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 12 August 2042.
2. In the valuation of this property, we have attributed no commercial value to the 4 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB69,782,000 (Equivalent to HKD78,178,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
17. 3 buildings and various structures of Dongjiaying Dairy Farm, located at Dongjiaying Village, Bikeqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 董家營牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 755.72 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the People's Government of Bi Keqi Town, Tumote Left Banner (土默特左旗畢克齊鎮政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 30 July 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB5,061,000 (Equivalent to HKD5,670,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
18. 6 buildings and various structures of Tuzuo Demonstration Dairy Farm, located at Yili Chilechuan Premium Milk Source Base, Bingzhouhai Village, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 土左示範牧場	The property comprises 6 buildings and various structures erected on leased land, which were completed in various stages between 2008 and 2010. The 6 buildings have a total gross floor area of approximately 3,498.56 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, silage facility, concentrate store and concentrate towers.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Han Min (韓敏), the land use rights of a parcel of land with a site area of approximately 1,133,339.00 sq.m. (1700 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term commencing from 1 August 2007 and expiring on 1 August 2027.
2. In the valuation of this property, we have attributed no commercial value to the 6 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB86,297,000 (Equivalent to HKD96,680,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
19. 2 buildings and various structures of Dadai Dairy Farm, located at Dadai Dairy Farm, Dadai Village, Shandai Town, County Road 023, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 大岱牧場	The property comprises 2 buildings and various structures erected on leased land, which were completed in 2010. The 2 buildings have a total gross floor area of approximately 648.77 sq.m., mainly including composite building and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and People's Government of Dadai Township, Tumote Left Banner (土默特左旗大岱鄉鎮府), the land use rights of a parcel of land with a site area of approximately 67,333.67 sq.m., on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 12 May 2038.
2. In the valuation of this property, we have attributed no commercial value to the 2 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB7,465,000 (Equivalent to HKD8,363,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
20. 4 buildings and various structures of Hashatu Dairy Farm, located at Hashatu Village, Sha'erying Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 哈沙圖牧場	The property comprises 4 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2017. The 4 buildings have a total gross floor area of approximately 1,438.00 sq.m., mainly including composite building, ancillary building and guardhouse. The structures mainly include cowsheds, hay sheds, concentrate store, silage cellars and silage facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Hashatu Villagers' Committee, Sha'erying Regional Service Center, Baimiaozi Town, Tumote Left Banner (土默特左白廟子鎮沙爾營區域服務中心哈沙圖村委會), the land use rights of a parcel of land with a site area of approximately 200,001.00 sq.m. (300 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 5 December 2040.
- In the valuation of this property, we have attributed no commercial value to the 4 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB31,256,000 (Equivalent to HKD35,017,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
21. 3 buildings and various structures of Maheli Dairy Farm, located at Maheli Village, Beishizhou Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 麻合理牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 180.00 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate towers and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Xiang Government of Beishi Town, Tumote Left Banner, Tumote Left Banner (土默特左旗北什鎮鄉政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 30 July 2038.
2. In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB9,572,000 (Equivalent to HKD10,724,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
22. 3 buildings and various structures of Jiajiaying Dairy Farm, located at Jiajiaying Village, Taosihao Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 賈家營牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 567.00 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and the Taosihao Township People's Government, Tumote Left Banner (土默特左旗陶思浩鄉政府), the land use rights of a parcel of land with a site area of approximately 80,000.40 sq.m. (120 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 21 July 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB4,566,000 (Equivalent to HKD5,115,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
23. 3 buildings and various structures of Dayang Dairy Farm, located at Dayang Village, Bashen Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 大陽牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2019. The 3 buildings have a total gross floor area of approximately 4,598.00 sq.m., mainly including composite building, ancillary building and guardhouse. The structures mainly include cowsheds, silage facility, hay sheds, silage cellars and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Dayang Villagers' Committee, Bashi Regional Service Center, Chasuqi Town, Tumote Left Banner (土默特左旗察素齊鎮把什區域服務中心大陽村委員會), the land use rights of a parcel of land with a site area of approximately 300,001.50 sq.m. (450 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 22 November 2040.
2. In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB43,897,000 (Equivalent to HKD49,179,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
24. 5 buildings and various structures of Ershijia Dairy Farm, located at Ershijia Village, Chasuqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 二什家牧場	The property comprises 5 buildings and various structures erected on leased land, which were completed in 2013. The 5 buildings have a total gross floor area of approximately 3,529.37 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, silage facility, hay sheds, silage cellars and composting area.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Ershijia Villagers' Committee, Bashi Regional Service Center, Chasuqi Town, Tumote Left Banner (土默特左旗察素齊鎮把什區域服務中心二什家村村民委員會), the land use rights of a parcel of land with a site area of approximately 593,229.63 sq.m. (889.84 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 17 June 2042.
- In the valuation of this property, we have attributed no commercial value to the 5 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB76,072,000 (Equivalent to HKD85,225,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
25. 3 buildings and various structures of Pailouban Dairy Farm, located at Pailouban Village, Sha'erqin Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 牌樓板牧場	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2010. The 3 buildings have a total gross floor area of approximately 749.84 sq.m., mainly including composite building, power distribution room and guardhouse. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate towers and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Inner Mongolia Yili Animal Husbandry Development Co., Ltd. (內蒙古伊利畜牧發展有限責任公司) which is now known as Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司, "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and Sha'erqin Township People's Government, Tumote Left Banner (土默特左旗沙爾沁鄉政府), the land use rights of a parcel of land with a site area of approximately 79,667.07 sq.m. (119.5 Mu), on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 13 May 2038.
- In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB5,211,000 (Equivalent to HKD5,838,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
26. 13 buildings and various structures of Chenliu Dairy Farm, located at Chenliu Village, Zaojia Township, Changfeng County, Hefei City, Anhui Province, the PRC 陳劉牧場	The property comprises 13 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2019. The 13 buildings have a total gross floor area of approximately 1,475.06 sq.m., mainly including milking parlour, composite building and laboratory. The structures mainly include cowsheds, concentrate store, silage facility, hay sheds, silage cellars and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Hefei Youran Husbandry Co., Ltd. (合肥優然牧業有限責任公司, "Hefei Youran", a wholly-owned subsidiary of the Company) and Chenliu Village Committee, Zaojia Township, Changfeng County (長豐縣造甲鄉陳劉村村民委員會), the land use rights of a parcel of land with a site area of approximately 280,001.40 sq.m. (420 Mu), on which the property is erected, was leased to Hefei Youran for a term commencing from 5 March 2010 and expiring on 31 July 2039 at an annual rental of approximately equivalent to the price of 300 kilograms of rice per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 13 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB28,588,000 (Equivalent to HKD32,028,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
27. 10 buildings and various structures of Songgang Dairy Farm, located at Songgang Village, Zaojia Town, Changfeng County, Hefei City, Anhui Province, the PRC 宋崗牧場	The property comprises 10 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2020. The 10 buildings have a total gross floor area of approximately 2,098.00 sq.m., mainly including composite building, production building and ancillary building. The structures mainly include cowsheds, concentrate store, silage facility, hay sheds and silage cellars.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Hefei Youran Husbandry Co., Ltd. (合肥優然牧業有限責任公司, "Hefei Youran", a wholly-owned subsidiary of the Company) and Songgang Village Committee, Zaojia Township, Changfeng County (長豐縣造甲鄉宋崗村村民委員會), the land use rights of a parcel of land with a site area of approximately 326,971.00 sq.m. (490 Mu), on which the property is erected, were leased to Hefei Youran for a term commencing from 1 March 2021 and expiring on 1 December 2040 at an annual rental of approximately equivalent to the price of 300 kilograms of rice per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 10 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB32,134,000 (Equivalent to HKD36,000,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
28. 14 buildings and various structures of Wuzhong Dairy Farm, located at Sunjia Tan Economic Development Zone, Litong District, Wuzhong City, Ningxia Hui Autonomous Region, the PRC 吳忠牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2020. The 14 buildings have a total gross floor area of approximately 2,983.00 sq.m., mainly including office building, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract and a supplementary agreement entered into between Wuzhong Youran Husbandry Co., Ltd. (吳忠優然牧業有限責任公司, "Wuzhong Youran", a wholly-owned subsidiary of the Company) and the Administrative Committee of Sunjatan Agricultural Comprehensive Development Zone, Wuzhong City (吳忠市孫家灘農業綜合開發區管委會), the land use rights of various parcels of land with a total site area of approximately 466,669.00 sq.m. (700 Mu), on which the property is erected, were leased to Wuzhong Youran for a term expiring on 27 July 2032 at the nil rent.
- In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB119,359,000 (Equivalent to HKD133,721,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
29. 9 buildings and various structures of Dalate Fengshuiliang Dairy Farm, located at Northwest of Yuanjiaping Community, Gongwusu Village, Bainijing Town, Dalate Banner, Ordos City, Inner Mongolia Autonomous Region, the PRC 達旗風水梁牧場	The property comprises 9 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2023. The 9 buildings have a total gross floor area of approximately 5,097.07 sq.m., mainly including composite building, power distribution room and ancillary building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and silage facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Dalad Banner Youran Husbandry Co., Ltd. (達拉特旗優然牧業有限責任公司, "Dalad Banner Youran", a wholly-owned subsidiary of the Company) and Wei Lijun (魏利軍), the land use rights of a parcel of land with a site area of approximately 2,000,000.00 sq.m. (3,000 Mu), on which the property is erected, were leased to Dalad Banner Youran for a term commencing from 3 January 2014 and expiring on 10 August 2036 at an annual rental of RMB100 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 9 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB106,275,000 (Equivalent to HKD119,062,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
30. 3 buildings and various structures of Haojia Dairy Farm, located at Gouxinzhao Village, Jigesitai Town, Dalate Banner, Ordos City, Inner Mongolia Autonomous Region, the PRC 郝家牧场	The property comprises 3 buildings and various structures erected on leased land, which were completed in 2017. The 3 buildings have a total gross floor area of approximately 2,890.00 sq.m., mainly including laboratory, ancillary building and guardhouse. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract entered into between Dalad Banner Youran Husbandry Co., Ltd. (達拉特旗優然牧業有限責任公司, "Dalad Banner Youran", a wholly-owned subsidiary of the Company) and Li Guang (李光), the land use rights of a parcel of land with a site area of approximately 3,306,000.00 sq.m. (4,959 Mu), on which the property is erected, were leased to Dalad Banner Youran for a term commencing from 26 July 2014 and expiring on 9 May 2064 at an annual rental of RMB100 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 3 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB80,384,000 (Equivalent to HKD90,056,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
31. 12 buildings and various structures of Dumeng Yixin Dairy Farm, located at Guzou Village, Yixin Township, Durbete Mongolian Autonomous County, Daqing City, Heilongjiang Province, the PRC 杜蒙一心牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2025. The 12 buildings have a total gross floor area of approximately 9,025.58 sq.m., mainly including composite building, boiler room and ancillary building. The structures mainly include cowsheds, hay sheds, fire protection facility, pools and yards.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Dorbod Mongol Autonomous County Zhongdu Husbandry Co., Ltd. (杜爾伯特蒙古族自治縣中都畜牧有限責任公司, "Zhongdu Husbandry", a wholly-owned subsidiary of the Company) and Yongsheng Village Committee, Yixin Township, Dorbod Mongol Autonomous County (杜爾伯特蒙古族自治縣一心鄉永勝村村委會), the land use rights of a parcel of land with a site area of approximately 800,000.00 sq.m., on which the property is erected, were leased to Zhongdu Husbandry for a term commencing from 1 January 2017 and expiring on 1 December 2042.
2. In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB62,752,000 (Equivalent to HKD70,302,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
32. 15 buildings and various structures of Shandong Jinan Dairy Farm, located South of Qianwa Village, Xiaozhi Town, Pingyin County, Jinan City, Shandong Province, the PRC 山東濟南牧場	The property comprises 15 buildings and various structures erected on leased land, which were completed in various stages between 2019 and 2022. The 15 buildings have a total gross floor area of approximately 14,320.81 sq.m., mainly including milking parlour, office building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, silage facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 4)

Notes:

1. Pursuant to a Land Lease Contract entered into between Jinan Youran Husbandry Co., Ltd. (濟南優然牧業有限責任公司, "Jinan Youran", a wholly-owned subsidiary of the Company) and Pingyin County Elite Seed Demonstration, Breeding, and Extension Center (平陰縣良種示範繁育推廣中心), the land use rights of a parcel of land with a site area of approximately 966,671.50 sq.m., on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 July 2018 and expiring on 30 June 2048 at an annual rental of RMB1,800,000.
2. Pursuant to a Land Lease Contract entered into between Jinan Youran and Dongzhang Village (東張村), the land use rights of a parcel of land with a site area of approximately 110,493.88 sq.m., on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 July 2018 and expiring on 30 June 2048 at an annual rental of RMB1,100 per Mu.
3. Pursuant to a Land Lease Contract entered into between Jinan Youran and Xizhang Village (西張村), the land use rights of a parcel of land with a site area of approximately 66,453.67 sq.m., on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 July 2018 and expiring on 30 June 2048 at an annual rental of RMB1,100 per Mu.
4. In the valuation of this property, we have attributed no commercial value to the 15 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB191,403,000 (Equivalent to HKD214,433,000).
5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.



6. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
33. A parcel of land, 15 buildings and various structures of Liaoning Fuxin Dairy Farm, located at No.1, Xintunzi Village, Xiliuji Town, Zhangwu County, Fuxin City, Liaoning Province, the PRC 遼寧阜新牧場	The property comprises a parcel of land with a site area of 12,741.00 sq.m. and a building with a gross floor area of approximately 3,300.00 sq.m. erected thereon and the remaining 14 buildings and various structures erected on leased land, which were completed in various stages between 2019 and 2020. The 15 buildings have a total gross floor area of approximately 10,215.00 sq.m., mainly including milking parlour, laboratory and boiler room. The structures mainly include cowsheds, hay sheds, concentrate store, silage cellars, fire protection facility and pools. The land use rights of the property have been granted for a term expiring on 18 October 2073 for industrial use. Except for a building, the remaining buildings and structures of the property are erected on 3 parcels of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	1,720,000 (Equivalent to HKD1,927,000) <i>(Refer to note 5)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Liao (2024) Zhang Wu Xian Bu Dong Chan Quan Di No. 0000370, the land use rights of a parcel of land with a site area of approximately 12,741.00 sq.m. have been granted to Fuxin Youran Husbandry Co., Ltd. (阜新優然牧業有限責任公司, “Fuxin Youran”, a wholly-owned subsidiary of the Company) for a term expiring on 18 October 2073 for industrial use.
- Pursuant to a Land Lease Contract entered into between Fuxin Youran and the Village Committee of Sijiazi Village, Xiliuji Town, Zhangwu County (彰武縣西六家子鎮四家子村村委會), the land use rights of a parcel of land with a site area of approximately 183,267.58 sq.m. (274.9 Mu), on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 May 2018 and expiring on 30 April 2048 at an annual rental of RMB700 per Mu.

3. Pursuant to a Land Lease Contract entered into between Fuxin Youran and Bajiazi Village, Xiliujiazi Town, Zhangwu County (彰武縣西六家子鎮四家子村村委會), the land use rights of a parcel of land with a site area of approximately 196,000.98 sq.m. (294 Mu), on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 May 2018 and expiring on 30 April 2048 at an annual rental of RMB700 per Mu.
4. Pursuant to a Land Lease Contract entered into between Fuxin Youran and Xintunzi Village, Xiliujiazi Town, Zhangwu County (彰武縣西六家子鎮四家子村村委會), the land use rights of a parcel of land with a site area of approximately 852,957.6 sq.m. (1,279.43 Mu), on which portions of the property are erected, were leased to Jinan Youran for a term commencing from 1 May 2018 and expiring on 30 April 2048 at an annual rental of RMB700 per Mu.
5. Fuxin Youran has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to a building with a gross floor area of approximately 3,300.00 sq.m. due to lack of Building Ownership Certificate and 14 buildings with a total gross floor area of approximately 6,915.00 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB187,700,000 (Equivalent to HKD210,285,000).
6. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land mentioned in note 1 with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, due to historical issues, Fuxin Youran is encountering certain difficulties in processing Real Estate Title Certificate for the building with a gross floor area of approximately 3,300.00 sq.m. mentioned in note 5, but efforts to complete the registration are still ongoing. As the area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
7. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
34. 12 buildings and various structures of Huanggang Macheng Dairy Farm, located at Xiongzhai Village, Zhongguanyi Town, Macheng City, Huanggang City, Hubei Province, the PRC 黃岡麻城牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2026. The 12 buildings have a total gross floor area of approximately 3,900.20 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, silage cellars, silage facility and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Huanggang Youran Husbandry Co., Ltd. (黃岡優然牧業有限責任公司, "Huanggang Youran", a wholly-owned subsidiary of the Company) and the Village Committee of Xiongzhai Village, Zhongguanyi Town, Macheng City (麻城市中館驛鎮熊寨村村委會), the land use rights of a parcel of land with a site area of approximately 25,333.46 sq.m. (38 Mu), on which the property is erected, were leased to Huanggang Youran for a term commencing from 16 July 2012 and expiring on 15 July 2027 at an annual rental of RMB500 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB65,033,000 (Equivalent to HKD72,858,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
35. 8 buildings and various structures of Qionglai Yangba Dairy Farm, located at Yangba Village, Guyi Town, Qionglai City, Chengdu City, Sichuan Province, the PRC 邛崃楊壩牧場	The property comprises 8 buildings and various structures erected on leased land, which were completed in various stages between 2010 and 2018. The 8 buildings have a total gross floor area of approximately 1,395.47 sq.m., mainly including composite building, ancillary building and guardhouse. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, pools and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Chengdu Youran Husbandry Co., Ltd. (成都優然牧業有限責任公司, "Chengdu Youran", a wholly-owned subsidiary of the Company) and the Village Committee of Gongyi Village, Guyi Town (固驛鎮楊壩村村委會、固驛鎮公義村村委會), the land use rights of a parcel of land with a site area of approximately 101,933.34 sq.m. (152.9 Mu), on which the property is erected, were leased to Chengdu Youran for a term commencing from 1 January 2011 and expiring on 31 December 2041 at the annual rent equivalent to the price of 300 kilograms of paddy rice per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 8 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB12,583,000 (Equivalent to HKD14,097,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
36. 12 buildings and various structures of Yushu Dairy Farm, located at Yushu Village, Huilong Town, Qionglai City, Chengdu City, Sichuan Province, the PRC 榆樹牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2013. The 12 buildings have a total gross floor area of approximately 1,737.14 sq.m., mainly including office building, veterinary room and dormitory building. The structures mainly include cowsheds, silage cellars, silage facility, hay sheds and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Chengdu Youran Husbandry Co., Ltd. (成都優然牧業有限責任公司, "Chengdu Youran", a wholly-owned subsidiary of the Company) and Yushu Community Residents Committee, Yang'an Subdistrict, Qionglai City (邛崃市羊安街道榆樹社區居民委員會), the land use rights of a parcel of land with a site area of approximately 238,000.01 sq.m. (357.09 Mu), on which the property is erected, were leased to Chengdu Youran for a term commencing from 1 January 2011 and expiring on 31 December 2028 at the annual rent equivalent to the price of 400 kilograms of paddy rice per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB20,606,000 (Equivalent to HKD23,085,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
37. 12 buildings and various structures of Nanjing Jinci Dairy Farm, located at Jinci Village, Zhuzhen Town, Liuhe District, Nanjing City, Jiangsu Province, the PRC 南京金磁牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2021. The 12 buildings have a total gross floor area of approximately 3,536.60 sq.m., mainly including milking parlour, office building and laboratory. The structures mainly include cowsheds, concentrate store, hay sheds, silage facility and silage cellars.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into between Nanjing Youran Husbandry Co., Ltd. (南京優然牧業有限責任公司, "Nanjing Youran", a wholly-owned subsidiary of the Company) and the Villagers' Committee of Jinci Village, Zhuzhen Town, Liuhe District, Nanjing City (南京市六合區竹鎮鎮金磁村村民委員會), the land use rights of a parcel of land with a site area of approximately 641.4 Mu, on which the property is erected, were leased to Nanjing Youran for a term commencing from 31 March 2011 and expiring on 30 March 2031 at an annual rental of RMB450 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB25,701,000 (Equivalent to HKD28,793,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
38. 5 buildings and various structures of Dabeiyao Dairy Farm, located at Dabeiyao Village, Wushijia Town, Togtoh County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 大北窯牧場	The property comprises 5 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2020. The 5 buildings have a total gross floor area of approximately 2,545.82 sq.m., mainly including composite building, production workshop and ancillary building. The structures mainly include cowsheds, silage facility, silage cellars, hay sheds and composting area.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to a Land Lease Contract entered into between Inner Mongolia Youran Animal Husbandry Co., Ltd. Tuoketuo County Branch (內蒙古優然牧業有限責任公司托克托縣分公司, "Inner Mongolia Youran Animal", a wholly-owned subsidiary of the Company) and Escrow Account of the People's Government of Wushijia Town, Togtoh County (托克托縣伍什家鎮人民政府代管專戶), the land use rights of a parcel of land with a site area of approximately 3,738,426.67 sq.m., on which the property is erected, were leased to Inner Mongolia Youran Animal for a term commencing from 1 April 2014 and expiring on 31 March 2027 at an annual rental of RMB450 per Mu.
- Pursuant to a Land Lease Contract entered into between Inner Mongolia Youran Animal Husbandry Co., Ltd. Tuoketuo County Branch (內蒙古優然牧業有限責任公司托克托縣分公司, "Inner Mongolia Youran Animal", a wholly-owned subsidiary of the Company) and Escrow Account of the People's Government of Wushijia Town, Togtoh County (托克托縣伍什家鎮人民政府代管專戶), the land use rights of a parcel of land with a site area of approximately 485,333.33 sq.m., on which the property is erected, were leased to Inner Mongolia Youran Animal for a term commencing from 9 June 2011 and expiring on 31 May 2041 at an annual rental of RMB450 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 5 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB47,563,000 (Equivalent to HKD53,286,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:



- a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
39. 13 buildings and various structures of Qingshuihe Dairy Farm, located at No.31 Village, Wuliangtai Township, Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 清水河牧場	The property comprises 13 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2021. The 13 buildings have a total gross floor area of approximately 11,887.90 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, silage facility, hay sheds, silage cellars and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Inner Mongolia Youran Animal Husbandry Co., Ltd. Qingshuihe County Branch (內蒙古優然牧業有限責任公司清水河縣分公司, "Inner Mongolia Youran Animal Husbandry", a wholly-owned subsidiary of the Company) and the Village Committee of Village No. 31, Honghe Town, Qingshuihe County and the Village Committee of Kangshengzhuang Village, Honghe Town, Qingshuihe County (清水河縣宏河鎮三十一號村民委員會、清水河縣宏河鎮康聖莊村民委員會), the land use rights of a parcel of land with a site area of approximately 1,195,245.98 sq.m. (1,792.86 Mu), on which the property is erected, were leased to Inner Mongolia Youran Animal Husbandry for a term expiring on 25 July 2042.
- In the valuation of this property, we have attributed no commercial value to the 13 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB95,422,000 (Equivalent to HKD106,903,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
40. 8 buildings and various structures of Wuchuan Dairy Farm, located at Xiaoxi'tan Village, Shangtuhan Township, Wuchuan County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 武川牧場	The property comprises 8 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2019. The 8 buildings have a total gross floor area of approximately 2,754.79 sq.m., mainly including composite building, production workshop and ancillary building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Inner Mongolia Youran Animal Husbandry Co., Ltd. Wuchuan County Branch (內蒙古優然牧業有限責任公司武川縣分公司, "Inner Mongolia Youran Animal Husbandry", a wholly-owned subsidiary of the Company) and Neimenggu Nailian Technology Co., Ltd. (內蒙古奶聯科技有限公司), the land use rights of a parcel of land with a site area of approximately 566.29 Mu, on which the property is erected, were leased to Inner Mongolia Youran Animal Husbandry for a term commencing from 1 January 2016 and expiring on 30 April 2032 at an annual rental of RMB466,478.
2. In the valuation of this property, we have attributed no commercial value to the 8 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB69,160,000 (Equivalent to HKD77,482,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
41. 14 buildings and various structures of Wuxue Dairy Farm, located at Huanghu Village, Wanzhang Lake Farm, Wuxue City, Huanggang City, Hubei Province, the PRC 武穴牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2022. The 14 buildings have a total gross floor area of approximately 6,623.50 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Huanggang Youran Animal Husbandry Co., Ltd. Wuxue Branch (黃岡優然牧業有限責任公司武穴分公司, "Huanggang Youran", a wholly-owned subsidiary of the Company) and Hubei Provincial State-owned Wanzhang Lake Farm (湖北省國營萬丈湖農場), the land use rights of a parcel of land with a site area of approximately 540,002.70 sq.m. (810 Mu), on which the property is erected, were leased to Huanggang Youran for a term commencing from 1 June 2011 and expiring on 31 May 2061.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB40,525,000 (Equivalent to HKD45,401,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
42. 10 buildings and various structures of Tongchuan Dairy Farm, located at Yaoyao Road, Jinyang Road Sub-district, Yaozhou District, Tongchuan City, Shaanxi Province, the PRC 銅川牧場	The property comprises 10 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2020. The 10 buildings have a total gross floor area of approximately 7,063.00 sq.m., mainly including milking parlour, composite building and boiler room. The structures mainly include cowsheds, silage facility, hay sheds, silage cellars, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

1. Pursuant to a Investment Agreement entered into between Tongchuan Youran Husbandry Co., Ltd. (銅川優然牧業有限責任公司, "Tongchuan Youran", a wholly-owned subsidiary of the Company) and the People's Government of Yaozhou District, Tongchuan City, Shaanxi Province (陝西省銅川市耀州區人民政府), the land use rights of a parcel of land with a site area of approximately 1,000 Mu were leased to Tongchuan Youran.
2. Pursuant to a Land Lease Contract entered into between Tongchuan Youran and Bureau of Agriculture of Yaozhou District, Tongchuan City (銅川市耀州區農業局), the land use rights of a parcel of land with a site area of approximately 1,000 Mu, were leased to Tongchuan Youran expiring on 31 May 2042.
3. In the valuation of this property, we have attributed no commercial value to the 10 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB76,776,000 (Equivalent to HKD86,014,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease/investment agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
43. 14 buildings and various structures of Xilingol Dairy Farm No.1, located at Maodeng Pasture, Xilinhot City, Xilingol League, Inner Mongolia Autonomous Region, the PRC 錫盟第一牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2021. The 14 buildings have a total gross floor area of approximately 2,692.00 sq.m., mainly including laboratory, dormitory building and production workshop. The structures mainly include cowsheds, hay sheds, concentrate store, silage cellars and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Xilinhot Youran Husbandry Co., Ltd. (錫林浩特市優然牧業有限責任公司, "Xilinhot Youran", a wholly-owned subsidiary of the Company) and Xilinhot Municipal People's Government (錫林浩特市人民政府), the land use rights of a parcel of land with a site area of approximately 1,333,340.00 sq.m. (2,000 Mu), on which the property is erected, were leased to Xilinhot Youran commencing from 28 May 2010 and expiring on 27 May 2040.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB40,677,000 (Equivalent to HKD45,571,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
44. 15 buildings and various structures of Xilingol Dairy Farm No.2, located at Maodeng Pasture, Xilinhot City, Xilingol League, Inner Mongolia Autonomous Region, the PRC 錫盟第二牧場	The property comprises 15 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2021. The 15 buildings have a total gross floor area of approximately 3,973.04 sq.m., mainly including office building, laboratory and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Xilinhot Youran Husbandry Co., Ltd. (錫林浩特市優然牧業有限責任公司, "Xilinhot Youran", a wholly-owned subsidiary of the Company) and Xilinhot Municipal People's Government (錫林浩特市人民政府), the land use rights of a parcel of land with a site area of approximately 1,333,340.00 sq.m. (2,000 Mu), on which the property is erected, were leased to Xilinhot Youran commencing from 28 May 2010 and expiring on 27 May 2040.
- In the valuation of this property, we have attributed no commercial value to the 15 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB49,403,000 (Equivalent to HKD55,347,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
45. 7 buildings and various structures of Lindian Hongqi Dairy Farm, located at Yinguang Village, Hongqi Town, Lindian County, Daqing City, Heilongjiang Province, the PRC 林甸紅旗牧場	The property comprises 7 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2018. The 7 buildings have a total gross floor area of approximately 4,363.00 sq.m., mainly including composite building, boiler room and pump room. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate towers and silage facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to various Land Lease Contracts entered into by Lindian Youran Husbandry Co., Ltd. (林甸優然牧業有限責任公司, "Lindian Youran", a wholly-owned subsidiary of the Company), the land use rights of several parcels of land with a total site area of approximately 5,455,360.61 sq.m., on which the property is erected, were leased to Lindian Youran expiring on 31 May 2027 and 7 May 2042.
2. In the valuation of this property, we have attributed no commercial value to the 7 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB87,154,000 (Equivalent to HKD97,641,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
46. 9 buildings and various structures of Lindian Huayuan Dairy Farm, located at Fengshou Village, Huayuan Town, Lindian County, Daqing City, Heilongjiang Province, the PRC 林甸花園牧場	The property comprises 9 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2021. The 9 buildings have a total gross floor area of approximately 3,720.03 sq.m., mainly including composite building, boiler room and pump room. The structures mainly include cowsheds, silage cellars, hay sheds, fermentation facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Lindian Youran Husbandry Co., Ltd. (林甸優然牧業有限責任公司, "Lindian Youran", a wholly-owned subsidiary of the Company) and the Villagers' Committee of Fengshou Village, Huayuan Town, Lindian County (林甸縣花園鎮豐收村委會), the land use rights of a parcel of land with a site area of approximately 3,866,686.00 sq.m., on which the property is erected, were leased to Lindian Youran expiring on 27 May 2040.
- In the valuation of this property, we have attributed no commercial value to the 9 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB81,822,000 (Equivalent to HKD91,667,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
47. 9 buildings and various structures of Lindian Sihe Dairy Farm, located at Fufa Village, Sihe Township, Lindian County, Daqing City, Heilongjiang Province, the PRC 林甸四合牧場	The property comprises 9 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2022. The 9 buildings have a total gross floor area of approximately 3,836.93 sq.m., mainly including composite building, boiler room and pump room. The structures mainly include cowsheds, silage cellars, hay sheds, fermentation facility and boiler room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Lindian Youran Husbandry Co., Ltd. (林甸優然牧業有限責任公司, "Lindian Youran", a wholly-owned subsidiary of the Company) and Daqing Xiaoming Runqi Dairy Farming Company (大慶小明潤琦奶牛養殖公司), the land use rights of a parcel of land with a site area of approximately 800,004.00 sq.m. (1,200 Mu), on which the property is erected, were leased to Lindian Youran commencing from 1 January 2010 and expiring on 31 December 2029 at an annual rental of RMB12,905,000.
- In the valuation of this property, we have attributed no commercial value to the 9 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB70,548,000 (Equivalent to HKD79,037,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
48. A building and various structures of Lindian Yonghe Dairy Farm, located at Yonghe Village, Sihe Township, Lindian County, Daqing City, Heilongjiang Province, the PRC 林甸永合牧場	The property comprises a building and various structures erected on leased land, which were completed in 2022. The building has a total gross floor area of approximately 18.00 sq.m., mainly including ancillary building. The structures mainly include silage facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Lindian Youran Husbandry Co., Ltd. (林甸優然牧業有限責任公司, "Lindian Youran", a wholly-owned subsidiary of the Company) and Daqing Xiaoming Runqi Dairy Farming Company (大慶小明潤琦奶牛養殖公司), the land use rights of a parcel of land with a site area of approximately 800,004.00 sq.m. (1,200 Mu), on which the property is erected, were leased to Lindian Youran expiring on 31 December 2029.
2. In the valuation of this property, we have attributed no commercial value to the building and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB342,000 (Equivalent to HKD383,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
49. 19 buildings and various structures of Lindian Demonstration Dairy Farm, located at Qitun, Yonghe Village, Sihe Township, Lindian County, Daqing City, Heilongjiang Province, the PRC 林甸示範牧場	The property comprises 19 buildings and various structures erected on leased land, which were completed in various stages between 2023 and 2025. The 19 buildings have a total gross floor area of approximately 8,267.81 sq.m., mainly including laboratory, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Lindian Youran Husbandry Co., Ltd. (林甸優然牧業有限責任公司, "Lindian Youran", a wholly-owned subsidiary of the Company) and Daqing Xiaoming Runqi Dairy Farming Company (大慶小明潤琦奶牛養殖公司), the land use rights of a parcel of land with a site area of approximately 1,030,821.29 sq.m., on which the property is erected, were leased to Lindian Youran commencing from 15 January 2022 and expiring on 14 January 2052 at an annual rental of RMB65 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 19 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB298,072,000 (Equivalent to HKD333,937,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
50. A parcel of land, 17 buildings and various structures of Liujiazi Dairy Farm, located at Liujiazi Village, Yadong Town, Arongqi Banner, Hulunbuir City, Inner Mongolia Autonomous Region, the PRC 六家子牧場	The property comprises a parcel of land with a site area of 6,634.00 sq.m. and a building with a gross floor area of approximately 5,478.78 sq.m. erected thereon and the remaining 16 buildings and various structures erected on leased land, which were completed in various stages between 2020 and 2023. The 17 buildings have a total gross floor area of approximately 19,885.84 sq.m., mainly including a composite building, dormitories, a laboratory, canteen and guard rooms. The structures mainly include cowsheds, boundary walls, roads and hay barn. The land use rights of the property have been granted for a term expiring on 26 May 2061 for commercial use. Except for a building, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	20,015,000 (Equivalent to HKD22,423,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2024) A Rong Qi Bu Dong Chan Quan Di No. 1003441, the land use rights of a parcel of land with a site area of approximately 6,634.00 sq.m. have been granted to Hulunbuir Youran Husbandry Model Farm Co., Ltd. (呼倫貝爾優然牧業示範牧場有限責任公司, “Model Farm”, a wholly-owned subsidiary of the Company) for a term expiring on 26 May 2061 for commercial use and a building with a gross floor area of approximately 5,478.78 sq.m. is owned by Model Farm.
- Pursuant to an Investment Agreement entered into between Model Farm and Arongqi Banner People's Government (阿榮旗人民政府), the land use rights of a parcel of land with a site area of approximately 866,671.00 sq.m. (1,300 Mu), on which portions of the property are erected, were leased to Model Farm for a term expiring on 28 February 2050.

3. Model Farm has obtained the Real Estate Title Certificate for a parcel of land and a building mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to the 16 buildings with a total gross floor area of approximately 14,407.06 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB222,217,000 (Equivalent to HKD248,955,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land mentioned in note 1 with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the building mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such building through other lawful means. As of 31 January 2026, the aforementioned building is not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The relevant lease/investment agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
51. A parcel of land, 16 buildings and various structures of Najitun Dairy Farm, located at South Hill of Pastoral Team, Najitun Farm, Arongqi Banner, Hulunbuir City, Inner Mongolia Autonomous Region, the PRC 那吉屯牧場	The property comprises a parcel of land with a site area of 8,640.00 sq.m. and a building with a gross floor area of approximately 4,370.33 sq.m. erected thereon and the remaining 15 buildings and various structures erected on leased land, which were completed in various stages between 2019 and 2024. The 16 buildings have a total gross floor area of approximately 8,521.94 sq.m., mainly including a composite building, electrical distribution rooms, canteen and guard rooms. The structures mainly include cowsheds, boundary walls, roads and hay barn. The land use rights of the property have been granted for a term expiring on 18 February 2060 for commercial use. Except for a building, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	16,128,000 (Equivalent to HKD18,069,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2020) A Rong Qi Bu Dong Chan Quan Di No. 0012102, the land use rights of a parcel of land with a site area of approximately 8,640.00 sq.m. have been granted to Hulunbuir Youran Husbandry Model Farm Co., Ltd. (呼倫貝爾優然牧業示範牧場有限責任公司, “Model Farm”, a wholly-owned subsidiary of the Company) for a term expiring on 18 February 2060 for commercial use and a building with a gross floor area of approximately 4,370.33 sq.m. is owned by Model Farm.
- Pursuant to an Investment Agreement entered into between Model Farm and Arongqi Banner People's Government (阿榮旗人民政府), the land use rights of a parcel of land with a site area of approximately 1,333,340.00 sq.m. (2,000 Mu), on which portions of the property are erected, were leased to Model Farm for a term expiring on 28 May 2049.

3. Model Farm has obtained the Real Estate Title Certificate for a parcel of land and a building mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to the 15 buildings with a total gross floor area of approximately 4,151.61 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB259,931,000 (Equivalent to HKD291,207,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land mentioned in note 1 with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the building mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such building through other lawful means. As of 31 January 2026, the aforementioned building is not subject to any mortgage or other encumbrances or restrictions on rights;
 - c. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained, the Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates; and
 - d. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
52. 2 buildings of Xiangyatun Dairy Farm, located at Team 5, Branch 1, Najitun Farm, Arongqi Banner, Hulunbuir City, Inner Mongolia Autonomous Region, the PRC 向陽屯牧場	The property comprises 2 buildings erected on leased land, which were completed in 2025. The 2 buildings have a total gross floor area of approximately 221.76 sq.m., mainly including ancillary building.	As at the valuation date, the property was occupied by the Group for ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Farm Lease Contract entered into between Hulunbuir Youran Husbandry Model Farm Co., Ltd. (呼倫貝爾優然牧業示範牧場有限責任公司, "Model Farm", a wholly-owned subsidiary of the Company) and Hulunbuir Nongken Najitun Dairy Co., Ltd. (呼倫貝爾農墾那吉屯乳業有限責任公司), a dairy farm including the land use rights of a parcel of land with a site area of approximately 513,000.00 sq.m. (768.86 Mu), all the buildings, structures and the equipment erected or placed on the land, were leased to Model Farm for a term commencing from 20 February 2023 and expiring on 19 February 2028 at an annual rental of RMB9,700,000 inclusive of tax.
2. In the valuation of this property, we have attributed no commercial value to the 2 buildings of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB168,000 (Equivalent to HKD188,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
53. 14 buildings and various structures of Pingdingshan Dairy Farm, located at Zhaizhuang Village, 4.3km Northwest of Qianying Township, Baofeng County, Pingdingshan City, Henan Province, the PRC 平頂山牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2020 and 2025. The 14 buildings have a total gross floor area of approximately 57,871.87 sq.m., mainly including milking parlour, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility and concentrate store.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Pingdingshan Youran Husbandry Co., Ltd. (平頂山優然牧業有限責任公司, "Pingdingshan Youran", a wholly-owned subsidiary of the Company) and Baofeng County Jindi Land Investment and Development Co., Ltd. (寶豐縣金地土地投資開發有限公司), the land use rights of a parcel of land with a site area of approximately 1,085,314.09 sq.m. (1,627.96 Mu), on which the property is erected, were leased to Pingdingshan Youran for a term commencing from 27 June 2019 and expiring on 26 June 2039.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB268,597,000 (Equivalent to HKD300,915,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
54. A parcel of land, 18 buildings and various structures of Wuwei Dairy Farm, located at Changcheng Village, Changcheng Town, Liangzhou District, Wuwei City, Gansu Province, the PRC 武威牧場	The property comprises a parcel of land with a site area of 10,062.20 sq.m. and a building with a gross floor area of approximately 5,516.32 sq.m. erected thereon and 17 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2023. The 18 buildings have a total gross floor area of approximately 23,743.32 sq.m., mainly including milking parlour, composite building and production building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pools. The land use rights of the property have been granted for a term expiring on 17 June 2060 for commercial use. Except for a building, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	22,099,000 (Equivalent to HKD24,758,000) (Refer to note 3)

Notes:

- Pursuant to a Real Estate Title Certificate – Gan (2021) Liang Zhou Qu Bu Dong Chan Quan Di No. 0031187, the land use rights of a parcel of land with a site area of approximately 10,062.20 sq.m. have been granted to Wuwei Youran Husbandry Co., Ltd. (武威市優然牧業有限責任公司, “Wuwei Youran”, a wholly-owned subsidiary of the Company) for a term expiring on 17 June 2060 for commercial use. A building with a gross floor area of approximately 5,516.32 sq.m. is owned by Wuwei Youran.
- Pursuant to a Land Lease Contract entered into between Wuwei Youran and Liangzhou Branch of Wuwei Municipal Bureau of Natural Resources (武威市自然資源局涼州分局), the land use rights of a parcel of land with a site area of approximately 1,851.17 Mu, on which portions of the property are erected, were leased to Wuwei Youran commencing from 4 December 2019 and expiring on 3 December 2059.

3. Wuwei Youran has obtained the Real Estate Title Certificate for a parcel of land and a building mentioned in note 1, therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to the 17 buildings with a total gross floor area of approximately 18,227.00 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB214,104,000 (Equivalent to HKD239,866,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land mentioned in note 1 with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to the building mentioned in note 1 and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such building through other lawful means. As of 31 January 2026, the aforementioned building is not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
55. 17 buildings and various structures of Xing'an League Dairy Farm, located at Haotian Zhalaga Gacha Village, Eergetu Town, Horqin Right Wing Front Banner, Hinggan League, Inner Mongolia Autonomous Region, the PRC 興安盟牧場	The property comprises 17 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2022. The 17 buildings have a total gross floor area of approximately 18,580.09 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, concentrate store, silage cellars, fermentation facility and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into Xing'anmeng Youran Husbandry Co., Ltd. (興安盟優然牧業有限責任公司, "Xing'anmeng Youran", a wholly-owned subsidiary of the Company), the land use rights of a parcel of land with a site area of approximately 1,365,367.49 sq.m., on which the property is erected, were leased to Xing'anmeng Youran expiring on 3 February 2050.
2. In the valuation of this property, we have attributed no commercial value to the 17 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB213,647,000 (Equivalent to HKD239,354,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
56. 16 buildings and various structures of Tongliao Dairy Farm, located at Dailahu Sub-branch, Zhuri River Pasture, Horqin Left Wing Middle Banner, Tongliao City, Inner Mongolia Autonomous Region, the PRC 通遼牧場	The property comprises 16 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2022. The 16 buildings have a total gross floor area of approximately 17,477.86 sq.m., mainly including milking parlour, power distribution room and ancillary building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Tongliao Youran Husbandry Co., Ltd. (通遼優然牧業有限責任公司, "Tongliao Youran", a wholly-owned subsidiary of the Company) and Liangzhou Branch of Wuwei Municipal Administrative Committee of the State-owned Zhurihe Ranch, Horqin Left Middle Banner (科爾沁左翼中旗國有珠日河牧場管理委員會), the land use rights of a parcel of land with a site area of approximately 1,194,356.97 sq.m., on which the property is erected, were leased to Tongliao Youran commencing from 27 July 2020 and expiring on 26 July 2050.
- In the valuation of this property, we have attributed no commercial value to the 16 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB253,784,000 (Equivalent to HKD284,320,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
57. 21 buildings and various structures of Henan Zhumadian Dairy Farm, located at Hongcunpu Village, Leizu Town, Xiping County, Zhumadian City, Henan Province, the PRC 河南駐馬店牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2024. The 21 buildings have a total gross floor area of approximately 30,885.23 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, pools and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Zhumadian Youran Husbandry Co., Ltd. (駐馬店優然牧業有限責任公司, "Zhumadian Youran", a wholly-owned subsidiary of the Company) and Leizu Town Village-level Funding Account, Xiping County Finance Bureau (西平縣財政局嫪祖鎮村級經費戶), the land use rights of a parcel of land with a site area of approximately 1,885,053.33 sq.m., on which the property is erected, were leased to Zhumadian Youran commencing from 1 October 2020 and expiring on 30 September 2040.
- In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB514,586,000 (Equivalent to HKD576,502,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
58. A parcel of land, 16 buildings and various structures of Houshandai Dairy Farm, located at Houshandai Village, Shandai Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 後善岱牧場	The property comprises a parcel of land with a site area of 6,999.00 sq.m. and 2 buildings with a total gross floor area of approximately 1,605.40 sq.m. erected thereon and the remaining 14 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2024. The 16 buildings have a total gross floor area of approximately 7,895.93 sq.m., mainly including a milking parlour, laboratory, dormitory building, canteen and guard rooms. The structures mainly include cowsheds, boundary walls, roads and hay barn. The land use rights of the property have been granted for a term expiring on 28 July 2063 for commercial use. Except for 2 buildings, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	2,653,000 (Equivalent to HKD2,972,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2023) Tu Mo Te Zuo Ai Bu Dong Chan Quan Di No. 0009617, the land use rights of a parcel of land with a site area of approximately 6,999.00 sq.m. have been granted to Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, “Hohhot Youran”, a wholly-owned subsidiary of the Company) for a term expiring on 28 July 2063 for commercial use.
- Pursuant to a Land Lease Contract entered into by Hohhot Youran, the land use rights of a parcel of land with a site area of approximately 909,322.08 sq.m., on which portions of the property are erected, were leased to Hohhot Youran, with the lease term expiring on 31 August 2050.

3. Hohhot Youran has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 1,605.40 sq.m. due to lack of Real Estate Title Certificate and 14 buildings with a total gross floor area of approximately 6,290.53 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB234,292,000 (Equivalent to HKD262,483,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained. According to the Company's description, the 2 buildings with a total gross floor area of approximately 1,605.40 sq.m. mentioned in note 3 are in the process of applying for the issuance of Real Estate Title Certificates and are expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
59. 22 buildings and various structures of Xiaolibao Dairy Farm, located at Xiaolibao Village, Bikeqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 小裡堡牧場	The property comprises 22 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2023. The 22 buildings have a total gross floor area of approximately 17,331.43 sq.m., mainly including milking parlour, dormitory building and pump room. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) and Inner Mongolia Nailun Agricultural Technology Co., Ltd. (內蒙古奈藍農業科技股份有限公司), the land use rights of a parcel of land with a site area of approximately 395,928.65 sq.m., on which the property is erected, were leased to Hohhot Youran commencing from 1 June 2023 and expiring on 1 October 2054.
- In the valuation of this property, we have attributed no commercial value to the 22 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB329,873,000 (Equivalent to HKD369,564,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
60. A parcel of land, 18 buildings and various structures of Sha'erying Dairy Farm, located at Sha'erying Village, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 沙爾營牧場	The property comprises a parcel of land with a site area of 7,000.00 sq.m. and 2 buildings with a total gross floor area of approximately 1,481.28 sq.m. erected thereon and the remaining 16 buildings and various structures erected on leased land which were completed in various stages between 2021 and 2025. The 18 buildings have a total gross floor area of approximately 13,491.18 sq.m., mainly including milking parlour, laboratory, dormitory building, changing room and guard room. The structures mainly include cowsheds, boundary walls, roads and hay barn. The land use rights of the property have been granted for a term expiring on 28 July 2063 for commercial use. Except for 2 buildings, the remaining buildings and structures of the property are erected on 3 parcels of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	2,653,000 (Equivalent to HKD2,972,000) (Refer to note 5)

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2023) Tu Mo Te Zuo Ai Bu Dong Chan Quan Di No. 0009618, the land use rights of a parcel of land with a site area of approximately 7,000.00 sq.m. have been granted to Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) for a term expiring on 28 July 2063 for commercial use.
- Pursuant to a Land Lease Contract entered into between Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) and Laolongbulang Village Committee, Sha'erqin Town, Tumote Left Banner (土默特左旗沙爾沁鎮老龍不浪村民委員會), the land use rights of a parcel of land with a site area of approximately 342,961.71 sq.m., on which portions of the property are erected, were leased to Hohhot Youran

commencing from 1 September 2020 and expiring on 31 August 2050.

3. Pursuant to a Land Lease Contract entered into between Hohhot Youran and Hashatu Village Committee, Baimiaozi Town, Tumote Left Banner (土默特左旗白廟子鎮哈沙圖村民委員會), the land use rights of a parcel of land with a site area of approximately 274,528.04 sq.m., on which portions of the property are erected, were leased to Hohhot Youran commencing from 1 September 2020 and expiring on 31 August 2050.
4. Pursuant to a Land Lease Contract entered into between Hohhot Youran and Donghuaying Village Committee, Baimiaozi Town, Tumote Left Banner (土默特左旗白廟子鎮東華營村民委員會), the land use rights of a parcel of land with a site area of approximately 609,936.39 sq.m., on which portions of the property are erected, were leased to Hohhot Youran commencing from 1 September 2020 and expiring on 31 August 2050.
5. Hohhot Youran has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 1,481.28 sq.m. due to lack of Real Estate Title Certificate and 16 buildings with a total gross floor area of approximately 12,009.90 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB259,660,000 (Equivalent to HKD290,903,000).
6. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained, according to the Company's description, the 2 buildings with a total gross floor area of approximately 1,481.28 sq.m. mentioned in note 5 are in the process of applying for the issuance of Real Estate Title Certificates and are expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
7. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
61. 21 buildings and various structures of No. 2 Sha'erying Dairy Farm, located at Hashatu Village, Baimiaozi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 沙爾營第二牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2023 and 2024. The 21 buildings have a total gross floor area of approximately 17,532.90 sq.m., mainly including milking parlour, dormitory and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to a Land Lease Contract and a Supplementary Contract entered into between Hohhot Youran and Donghuaying Village Committee, Baimiaozi Town, Tumote Left Banner (土默特左旗白廟子鎮東華營村民委員會), the land use rights of a parcel of land with a site area of approximately 610.89 Mu, on which portions of the property are erected, were leased to Hohhot Youran Husbandry Co., Ltd. (呼和浩特市優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) for a term commencing from 1 November 2021 and expiring on 31 March 2052 at an annual rental of RMB708 per Mu.
- Pursuant to a Land Lease Contract and a Supplementary Contract entered into between Hohhot Youran and Village Committee of Laolongbulang Village, Shaerqin Town, Tumote Left Banner (土默特左旗沙爾沁鎮老龍不浪村村民委員會), the land use rights of a parcel of land with a site area of approximately 1,830,075.82 sq.m. (2,745.10 Mu), on which portions of the property are erected, were leased to Hohhot Youran for a term commencing from 1 November 2021 and expiring on 31 March 2052 at an annual rental of RMB708 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB490,111,000 (Equivalent to HKD549,082,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.



5. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
62. A parcel of land, 15 buildings and various structures of Tiemao Dairy Farm, located at Tiemao Village, Tabusai Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 鐵帽牧場	The property comprises a parcel of land with a site area of 7,000.00 sq.m. and 2 buildings with a total gross floor area of approximately 1,410.30 sq.m. erected thereon and the remaining 13 buildings and various structures erected on leased land which were completed in various stages between 2021 and 2025. The 15 buildings have a total gross floor area of approximately 6,833.10 sq.m., mainly including composite building, changing room and guard room. The structures mainly include cowsheds, boundary walls, roads and hay barn. The land use rights of the property have been granted for a term expiring on 28 July 2063 for commercial use. Except for 2 buildings, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	2,653,000 (Equivalent to HKD2,972,000) (Refer to note 3)

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2023) Tu Mo Te Zuo Qi Bu Dong Chan Quan Di No. 0009620, the land use rights of a parcel of land with a site area of approximately 7,000.00 sq.m. have been granted to Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, “Hohhot Youran”, a wholly-owned subsidiary of the Company) for a term expiring on 28 July 2063 for commercial service use.
- Pursuant to a Land Lease Contract entered into between Hohhot Youran and Tiemao Village Committee, Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉鐵帽村委會), the land use rights of a parcel of land with a site area of approximately 607,736.37 sq.m. (911.60 Mu), on which portions of the property are erected, were leased to Hohhot Youran for a term commencing from 1 September 2020 and expiring on 31 August 2050 at an annual rental of RMB708 per Mu.

3. Hohhot Youran has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 1,410.30 sq.m. due to lack of Real Estate Title Certificate and 13 buildings with a total gross floor area of approximately 5,422.80 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB119,801,000 (Equivalent to HKD134,216,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained, according to the Company's description, the 2 buildings with a total gross floor area of approximately 1,410.30 sq.m. mentioned in note 3 are in the process of applying for the issuance of Real Estate Title Certificates and are expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
63. 16 buildings and various structures of Sha'erying Dairy Farm No.3, located at Hashatu Village, Baimiaozi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 沙爾營第三牧場	The property comprises 16 buildings and various structures erected on leased land, which were completed in 2023. The 16 buildings have a total gross floor area of approximately 8,699.94 sq.m., mainly including milking parlour, laboratory and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to a Land Lease Contract entered into between Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) and Donghuaying Village Committee, Baimiaozi Town, Tumote Left Banner (土默特左旗白廟子鎮東華營村民委員會), the land use rights of a parcel of land with a site area of approximately 92,540.46 sq.m. (138.81 Mu), on which portions of the property are erected, were leased to Hohhot Youran for a term commencing from 1 April 2022 and expiring on 31 March 2052 at an annual rental of RMB708 per Mu.
- Pursuant to a Land Lease Contract and a Supplementary Contract entered into between Hohhot Youran and Hashatu Village Committee, Baimiaozi Town, Tumote Left Banner (土默特左旗白廟子鎮哈沙圖村民委員會), the land use rights of a parcel of land with a site area of approximately 507,202.54 sq.m. (760.80 Mu), on which portions of the property are erected, were leased to Hohhot Youran for a term commencing from 1 April 2022 and expiring on 31 March 2052 at an annual rental of RMB708 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 16 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB160,558,000 (Equivalent to HKD179,877,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.



5. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
64. 22 buildings and various structures of Jinhe Dairy Farm, located at Niangetu Village, Jinhe Town, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC 金河牧場	The property comprises 22 buildings and various structures erected on leased land, which were completed in 2022. The 22 buildings have a total gross floor area of approximately 14,587.34 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage facility, hay sheds, concentrate store and silage cellars.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Hohhot Jinhe Youran Husbandry Co., Ltd. (呼和浩特市金河優然牧業有限責任公司, Hohhot Jinhe Youran", a wholly-owned subsidiary of the Company) and Niangetu Village Committee, Jinhe Town, Saihan District, Hohhot City (呼和浩特市賽罕區金河鎮碾格圖村民委員會), the land use rights of a parcel of land with a site area of approximately 824,514.07 sq.m. (1,236.77 Mu), on which the property is erected, were leased to Hohhot Jinhe Youran commencing from 31 December 2020 and expiring on 31 December 2050 at an annual rental of RMB650 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 22 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB228,221,000 (Equivalent to HKD255,681,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
65. 15 buildings and various structures of Henan Luoyang Dairy Farm, located 500m Southeast of Changqu Village Committee, Caidian Township, Ruyang County, Luoyang City, Henan Province, the PRC 河南洛陽牧場	The property comprises 15 buildings and various structures erected on leased land, which were completed in various stages between 2023 and 2025. The 15 buildings have a total gross floor area of approximately 9,241.54 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, concentrate store, hay sheds, silage cellars, weighbridge and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Luoyang Youran Husbandry Co., Ltd. (洛陽優然牧業有限責任公司), "Luoyang Youran", a wholly-owned subsidiary of the Company) and Villagers Committee of Changqu Village, Caidian Township, Ruyang County (汝陽縣蔡店鄉常渠村村民委員會), the land use rights of a parcel of land with a site area of approximately 406,571.35 sq.m., on which the property is erected, were leased to Luoyang Youran for a term commencing from 10 October 2021 and expiring on 19 October 2051 at an annual rental of RMB1,000 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 15 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB108,445,000 (Equivalent to HKD121,493,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
66. 16 buildings and various structures of Hefei Yuanxing Dairy Farm, located at Liuxing Village, Duji Town, Changfeng County, Hefei City, Anhui Province, the PRC 合肥元興牧場	The property comprises 16 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2023. The 16 buildings have a total gross floor area of approximately 11,491.07 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, concentrate store, silage cellars, hay sheds, fermentation facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to an Investment Agreement entered into between Hefei Yuanxing Animal Husbandry Co., Ltd. (合肥元興牧業有限責任公司), "Hefei Yuanxing", a wholly-owned subsidiary of the Company) and People's Government of Changfeng County (長豐縣人民政府), the land use rights of a parcel of land with a site area of approximately 314,001.57 sq.m. (471 Mu), on which the property is erected, were leased to Hefei Yuanxing for a term expiring on 31 December 2040 at an annual rental of RMB650 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 16 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB115,165,000 (Equivalent to HKD129,022,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease/investment agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreement.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
67. 18 buildings and various structures of Shandong Weifang Dairy Farm, located at Zoumalin Village, Yangzi Sub-district, Binhai District, Hanting District, Weifang City, Shandong Province, the PRC 山東濰坊牧場	The property comprises 18 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2023. The 18 buildings have a total gross floor area of approximately 29,256.20 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, silage cellars, concentrate store, hay sheds and silage facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Weifang Youran Husbandry Co., Ltd. (濰坊優然牧業有限責任公司), "Weifang Youran", a wholly-owned subsidiary of the Company) and the Villagers Committee of Changqu Village, Caidian Township, Ruyang County (汝陽縣蔡店鄉常渠村村民委員會), the land use rights of a parcel of land with a site area of approximately 1,063,369.80 sq.m., on which the property is erected, were leased to Weifang Youran for a term commencing from 1 December 2020 and expiring on 30 September 2050 at an annual rental of RMB1,440 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 18 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB286,879,000 (Equivalent to HKD321,397,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreement.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
68. 18 buildings and various structures of Shandong Shouguang Dairy Farm, located at Wanggao Village, Tianliu Town, Shouguang City, Weifang City, Shandong Province, the PRC 山東壽光牧場	The property comprises 18 buildings and various structures erected on leased land, which were completed in various stages between 2021 and 2022. The 18 buildings have a total gross floor area of approximately 23,669.66 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, fire protection facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to an Investment Agreement entered into between Inner Mongolia Youran Husbandry Co., Ltd. (內蒙古優然牧業有限責任公司), "Inner Mongolia Youran", a wholly-owned subsidiary of the Company) and People's Government of Shouguang City (壽光市人民政府), the land use rights of a parcel of land with a site area of approximately 839,030.86 sq.m., on which the property is erected, were leased to Inner Mongolia Youran for a term expiring on 1 August 2050 at an annual rental of the market price of 600 kilograms of wheat per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 18 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB250,441,000 (Equivalent to HKD280,575,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease/investment agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreement.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
69. 18 buildings and various structures of Kailu Dairy Farm, located at Shuangxing Village, Xiaojieji Town, Kailu County, Tongliao City, Inner Mongolia Autonomous Region, the PRC 開魯牧場	The property comprises 18 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2023. The 18 buildings have a total gross floor area of approximately 16,500.22 sq.m., mainly including milking parlour, laboratory and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 2 Land Lease Contracts and 2 Supplementary Agreements entered into between Kailu Youran Husbandry Co., Ltd. (開魯優然牧業有限責任公司, "Kailu Youran", a wholly-owned subsidiary of the Company) and Houhe Villagers Committee, Xiaojieji Town, Kailu County, Shuangxing Villagers Committee, Xiaojieji Town, Kailu County (開魯縣小街基鎮後河村民委員會, 開魯縣小街基鎮雙興村村民委員會), the land use rights of a parcel of land with a site area of approximately 1,195,246.67 sq.m. (1,792.87 Mu), on which the property is erected, were leased to Kailu Youran for a term commencing from 29 December 2020 and expiring on 29 December 2050 at an annual rental of RMB120 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 18 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB231,001,000 (Equivalent to HKD258,796,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
70. 14 buildings and various structures of Shandong Liaocheng Dairy Farm, located at Waliu Village, Xinji Town, Guan County, Liaocheng City, Shandong Province, the PRC 山東聊城牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2023 and 2024. The 14 buildings have a total gross floor area of approximately 15,783.01 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 5 Land Lease Contract entered into between Liaocheng Youran Husbandry Co., Ltd. (聊城優然牧業有限責任公司, "Liaocheng Youran", a wholly-owned subsidiary of the Company) and various parties, the land use rights of 5 parcels of land with a total site area of approximately 1,026,185.78 sq.m., on which the property is erected, were leased to Liaocheng Youran for terms expiring on 12 October 2051 and 19 October 2051 at an annual rental of RMB1,200 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB262,353,000 (Equivalent to HKD293,920,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
71. 12 buildings and various structures of Yunnan Xundian Dairy Farm, located at Yunnan Xundian Dairy Farm, Luchong Village, Hekou Town, Xundian County, Kunming City, Yunnan Province, the PRC 雲南尋甸牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in 2026. The 12 buildings have a total gross floor area of approximately 15,772.76 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, pools and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Yunnan Youran Husbandry Co., Ltd. (雲南優然牧業有限責任公司, "Yunnan Youran", a wholly-owned subsidiary of the Company) and Land Management Right Transfer Center of Hekou Town, Xundian County (尋甸縣河口鎮土地經營權流轉中心), the land use rights of a parcel of land with a site area of approximately 517,354.83 sq.m. (776.04 Mu), on which the property is erected, were leased to Yunnan Youran for a term expiring on 15 September 2051 at an annual rental of RMB800 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB149,444,000 (Equivalent to HKD167,425,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
72. A parcel of land, 11 buildings and various structures of Xinjiang Changji Dairy Farm, located at Huagen Village, Ashili Kazakh Township, Changji City, Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region, the PRC 新疆昌吉牧場	The property comprises a parcel of land with a site area of 9,000.00 sq.m. and 2 buildings with a total gross floor area of approximately 4,172.00 sq.m. erected thereon, and 9 buildings and various structures erected on leased land, which were completed in 2025. The 11 buildings have a total gross floor area of approximately 12,173.00 sq.m., mainly including office building, laboratory and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge. The land use rights of the property have been granted for a term expiring on 5 June 2062 for commercial service use. Except for 2 buildings, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	2,853,000 (Equivalent to HKD3,196,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Xin (2022) Chang Ji Shi Bu Dong Chan Quan Di No. 0013803, the land use rights of a parcel of land with a site area of approximately 9,000 sq.m. have been granted to Changji Youran Husbandry Co., Ltd. (昌吉優然牧業有限責任公司, “Changji Youran”, a wholly-owned subsidiary of the Company) for a term expiring on 5 June 2062 for commercial service use.
- Pursuant to an Investment Agreement entered into between Changji Youran and People's Government of Changji City (昌吉市人民政府), the land use rights of a parcel of land with a site area of approximately 1,258,359.63 sq.m., on which portions of the property are erected, were leased to Changji Youran for a term expiring on 14 April 2041.

3. Changji Youran has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 2 buildings with a total gross floor area of approximately 4,172.00 sq.m. due to lack of Real Estate Title Certificate and 9 buildings with a total gross floor area of approximately 8,001.00 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB170,670,000 (Equivalent to HKD191,205,000).
4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained, according to the Company's description, the 2 buildings with a total gross floor area of approximately 4,172.00 sq.m. mentioned in note 3 are in the process of applying for the issuance of Real Estate Title Certificates and are expected to obtain them by 2027. The Group is entitled, under applicable law, to occupy and use such buildings and will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates; and
 - c. The relevant lease/investment agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreement.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
73. 21 buildings and various structures of Shandong Changyi Dairy Farm, located 1km North of Dongyong'an Village, Duchang Sub-district, Changyi City, Weifang City, Shandong Province, the PRC 山東昌邑牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in 2023. The 21 buildings have a total gross floor area of approximately 32,526.28 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Changyi Youran Husbandry Co., Ltd. (昌邑優然牧業有限責任公司, "Changyi Youran", a wholly-owned subsidiary of the Company) and People's Government of Changyi City, Duchang Subdistrict Office (昌邑市人民政府都昌街道辦事處), the land use rights of a parcel of land with a site area of approximately 1,165,400.00 sq.m. (1,748.1 Mu), on which the property is erected, were leased to Changyi Youran for a term commencing from 5 April 2021 and expiring on 1 April 2051 at an annual rental of RMB1,400 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB413,663,000 (Equivalent to HKD463,436,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
74. 16 buildings and various structures of Shanxi Qixian Dairy Farm, located at Beizuo Village, Jialing Town, Qixian County, Jinzhong City, Shanxi Province, the PRC 山西祁縣牧場	The property comprises 16 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2023. The 16 buildings have a total gross floor area of approximately 9,138.53 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, silage cellars, concentrate store, hay sheds, fermentation facility and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Shanxi Youran Husbandry Co., Ltd. (山西優然牧業有限責任公司, "Shanxi Youran", a wholly-owned subsidiary of the Company) and Villagers' Committee of Beizuo Village, Jialing Town, Qi County (祁縣賈令鎮北左村村民委員會), the land use rights of a parcel of land with a site area of approximately 371,261.86 sq.m. (556.89 Mu), on which the property is erected, were leased to Shanxi Youran for a term commencing from 1 January 2022 and expiring on 31 December 2051 at an annual rental of RMB867 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 16 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB125,381,000 (Equivalent to HKD140,467,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
75. 24 buildings and various structures of Shandong Hanting Dairy Farm, located 200m East of Intersection of County Road X061 and Bonan Road, Gudui Sub-district, Hanting District, Weifang City, Shandong Province, the PRC 山東寒亭牧場	The property comprises 24 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2024. The 24 buildings have a total gross floor area of approximately 23,093.63 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Hanting Youran Husbandry Co., Ltd. (寒亭優然牧業有限責任公司, "Hanting Youran", a wholly-owned subsidiary of the Company) and Villagers Committee of Changqu Village, Caidian Township, Ruyang County (濰坊市寒亭區人民政府), the land use rights of a parcel of land with a site area of approximately 1,023,102.00 sq.m. (1,534.653 Mu), on which the property is erected, were leased to Hanting Youran for a term commencing from 10 October 2021 and expiring on 12 June 2051.
- In the valuation of this property, we have attributed no commercial value to the 24 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB439,802,000 (Equivalent to HKD492,720,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
76. 20 buildings and various structures of Pingliang Dairy Farm, located 500m West of Rengou Village, Baili Town, Lingtai County, Pingliang City, Gansu Province, the PRC 平涼牧場	The property comprises 20 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2023. The 20 buildings have a total gross floor area of approximately 6,134.00 sq.m., mainly including office building, laboratory and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, weighbridge and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 2 Land Lease Contracts entered into between Pingliang Youran Husbandry Co., Ltd. (平涼優然牧業有限責任公司, "Pingliang Youran", a wholly-owned subsidiary of the Company) and Guanyin Villagers' Committee, Baili Town and Nianggou Village Villagers' Committee, Baili Town (百里鎮觀音村民委員會, 百里鎮撈溝村村民委員會), the land use rights of 2 parcels of land with a site area of approximately 666,030.00 sq.m., on which the property is erected, were leased to Pingliang Youran for a term commencing from 1 March 2022 and expiring on 29 February 2052 at an annual rental of RMB400 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 20 buildings and structures of the property due to leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB187,597,000 (Equivalent to HKD210,169,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
77. 12 buildings and various structures of Qingshuihe Organic Sheep Farm, located at Bocaiye Village, Wuliangtai Township, Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 清水河有機羊場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2023. The 12 buildings have a total gross floor area of approximately 2,722.66 sq.m., mainly including office building, dormitory building and power distribution room. The structures mainly include sheep sheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Qingshui River Youran Husbandry Co., Ltd. (清水河優然牧業有限責任公司, "Qingshui River Youran", a wholly-owned subsidiary of the Company) and Villagers' Committee of Bocaiying Village, Wuliangtai Township, Qingshuihe County (清水河縣五良太鄉菠菜營村村民委員會), the land use rights of a parcel of land with a site area of approximately 683,430.08 sq.m.(1,025.14 Mu), on which the property is erected, were leased to Qingshui River Youran for a term commencing from 1 April 2022 and expiring on 31 March 2052 at an annual rental of RMB60 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB127,811,000 (Equivalent to HKD143,190,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
78. 10 buildings and various structures of Qingshuihe Dairy Goat Farm, located at Bocaiye Village, Wuliangtai Township, Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 清水河奶山羊牧場	The property comprises 10 buildings and various structures erected on leased land, which were completed in 2023. The 10 buildings have a total gross floor area of approximately 3,376.44 sq.m., mainly including dormitory building, canteen and power distribution room. The structures mainly include sheep sheds, hay sheds, silage cellars, weighbridge and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Qingshui River Youran Husbandry Co., Ltd. (清水河優然牧業有限責任公司, "Qingshui River Youran", a wholly-owned subsidiary of the Company) and Villagers' Committee of Bocaiying Village, Wuliangtai Township, Qingshuihe County (清水河縣五良太鄉菠菜營村村民委員會), the land use rights of a parcel of land with a site area of approximately 86,667.10 sq.m.(130 Mu), on which the property is erected, were leased to Qingshui River Youran for a term commencing from 1 April 2022 and expiring on 31 March 2052 at an annual rental of RMB60 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 10 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB126,220,000 (Equivalent to HKD141,407,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
79. 32 buildings and various structures of Yutian Dairy Farm No.1, located at Wangjianzhuang Village, Yutian County, Tangshan City, Hebei Province, the PRC 玉田一牧	The property comprises 32 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2023. The 32 buildings have a total gross floor area of approximately 7,897.44 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, silage cellars, pools, sheds and monitoring wells.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 2 Land Lease Contracts entered into between Tangshan Youran Husbandry Co., Ltd. (唐山優然牧業有限責任公司, "Tangshan Youran", a wholly-owned subsidiary of the Company) and Wangjianzhuang Village Committee, Shijiwo Town, Yutian County (玉田縣石臼窩鎮王建莊村村民委員會), the land use rights of 2 parcels of land with a total site area of approximately 415,335.31 sq.m., on which the property is erected, were leased to Tangshan Youran for a term commencing from 1 April 2022 and expiring on 30 September 2040 at an annual rental of RMB60 per Mu.
2. In the valuation of this property, we have attributed no commercial value to the 32 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB168,669,000 (Equivalent to HKD188,964,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
80. 29 buildings and various structures of Yutian Dairy Farm No.2, located at Yujiayao Village, Yangjiabanqiao Town, Yutian County, Tangshan City, Hebei Province, the PRC 玉田二牧	The property comprises 29 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2023. The 29 buildings have a total gross floor area of approximately 5,426.67 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, silage cellars, fire protection facility, pools and yards.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 5 Land Lease Contracts entered into between Tangshan Youran Husbandry Co., Ltd. (唐山優然牧業有限責任公司, "Tangshan Youran", a wholly-owned subsidiary of the Company) and Management and Service Station of Yangjiabanqiao Town, Yutian County and Guangfa Planting Farmers' Specialized Cooperative, Yutian County (玉田縣楊家板橋鎮經營管理服務站, 玉田縣廣發種植農民專業合作社), the land use rights of 5 parcels of land with a total site area of approximately 691,452.01 sq.m, on which the property is erected, were leased to Tangshan Youran for terms with the expiry dates on 31 December 2027 and 20 June 2041.
- In the valuation of this property, we have attributed no commercial value to the 29 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB124,480,000 (Equivalent to HKD139,458,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
81. 41 buildings and various structures of Yutian Dairy Farm No.3, located at Gaozhuangzi Village, Shijiu'wo Town, Yutian County, Tangshan City, Hebei Province, the PRC 玉田三牧	The property comprises 41 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2023. The 41 buildings have a total gross floor area of approximately 10,733.77 sq.m., mainly including milking parlour, office building and laboratory. The structures mainly include cowsheds, hay sheds, silage cellars, pools, pump room and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 2 Land Lease Contracts entered into between Tangshan Youran Husbandry Co., Ltd. (唐山優然牧業有限責任公司, "Tangshan Youran", a wholly-owned subsidiary of the Company) and Gaozhuangzi Village Committee, Shijiuwo Town, Yutian County and Meiling Family Farm, Chaoluowo Township, Yutian County (玉田縣石臼窩鎮高莊子村村民委員會, 玉田縣潮洛窩鄉美玲家庭農場), the land use rights of 2 parcels of land with a total site area of approximately 2,696,634.05 sq.m., on which the property is erected, were leased to Tangshan Youran for terms with the expiry dates on 31 December 2028 and 30 November 2042.
2. In the valuation of this property, we have attributed no commercial value to the 41 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB287,916,000 (Equivalent to HKD322,559,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held,

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
82. 8 buildings and various structures of Anda Dairy Farm No.1, located at Jixing Village, Jixinggang Town, Anda City, Suihua City, Heilongjiang Province, the PRC 安達一牧	The property comprises 8 buildings and various structures erected on leased land, which were completed in various stages between 2018 and 2025. The 8 buildings have a total gross floor area of approximately 3,456.24 sq.m., mainly including office building, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, separation room, pools and monitoring wells.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Anda Youran Husbandry Co., Ltd. (安達市優然牧業有限責任公司, "Anda Youran", a wholly-owned subsidiary of the Company) and People's Government of Jixinggang Town, Anda City (安達市吉星崗鎮人民政府), the land use rights of a parcel of land with a site area of approximately 413,759.48 sq.m., on which the property is erected, were leased to Anda Youran for a term on 23 November 2038 at a unit rental of RMB0.6 per sq.m. per year.
2. In the valuation of this property, we have attributed no commercial value to the 8 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB34,680,000 (Equivalent to HKD38,853,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
83. 9 buildings and various structures of Anda Dairy Farm No.2, located at Wenhua Village, Laohugang Town, Anda City, Suihua City, Heilongjiang Province, the PRC 安達二牧	The property comprises 9 buildings and various structures erected on leased land, which were completed in various stages between 2019 and 2024. The 9 buildings have a total gross floor area of approximately 3,817.00 sq.m., mainly including office building, boiler room and power distribution room. The structures mainly include cowsheds, silage cellars, pools, separation room and monitoring wells.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Anda Youran Husbandry Co., Ltd. (安達市優然牧業有限責任公司, "Anda Youran", a wholly-owned subsidiary of the Company) and People's Government of Laohugang Town, Anda City (安達市老虎崗鎮人民政府), the land use rights of a parcel of land with a site area of approximately 387,749.20 sq.m., on which the property is erected, were leased to Anda Youran for a term on 17 November 2038 at a unit rental of RMB0.6 per sq.m. per year.
2. In the valuation of this property, we have attributed no commercial value to the 9 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB56,545,000 (Equivalent to HKD63,349,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
84. 14 buildings and various structures of Xianxian Dairy Farm, located at Southeast of Dongduan Village, Duancun Township, Xianxian County, Cangzhou City, Hebei Province, the PRC 獻縣牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2024 and 2025. The 14 buildings have a total gross floor area of approximately 23,280.73 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 5 Land Lease Contracts and supplementary agreements entered into between Xianxian Youran Husbandry Co., Ltd. (獻縣市優然牧業有限責任公司, “Xianxian Youran”, a wholly-owned subsidiary of the Company) and various parties, the land use rights of several parcels of land with a total site area of approximately 2,768,261.18 sq.m., on which the property is erected, were leased to Xianxian Youran for various terms expiring on 1 August 2052.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB283,325,000 (Equivalent to HKD317,415,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
85. 12 buildings and various structures of Tuoketuo Gucheng Dairy Farm, located at Manshuijing Village, Gucheng Town, Togtoh County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 托縣古城牧場	The property comprises 12 buildings and various structures erected on leased land, which were completed in various stages between 2023 and 2024. The 12 buildings have a total gross floor area of approximately 21,524.54 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Tuoketuoxian Youran Husbandry Co., Ltd. (托克托縣優然牧業有限責任公司, "Tuoketuoxian Youran", a wholly-owned subsidiary of the Company) and Villagers' Committee of Manshuijing Village, Gucheng Town, Tuoketuo County (托克托縣古城鎮滿水井村民委員會), the land use rights of a parcel of land with a site area of approximately 992,496.00 sq.m. (1,488 Mu), on which the property is erected, were leased to Tuoketuoxian Youran for a term commencing from 11 July 2022 expiring on 1 July 2052 at an annual rental of RMB300 per Mu.
- In the valuation of this property, we have attributed no commercial value to the 12 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB250,893,000 (Equivalent to HKD281,081,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
86. 26 buildings and various structures of Shuibian Dairy Farm, located at Dasui ren Village, Nanhezong Town, Ying County, Shuozhou City, Shanxi Province, the PRC 水邊牧場	The property comprises 26 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2019. The 26 buildings have a total gross floor area of approximately 10,913.10 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, silage facility and pump room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Fonterra (Ying County) Dairy Farm Co., Ltd. (恒天然(應縣)牧場有限公司), which is now known as Shanxi Youran-Tianhe Husbandry Co., Ltd. (山西優然天合牧業有限責任公司, "Shanxi Youran-Tianhe", a wholly-owned subsidiary of the Company) and Dasui ren Village Committee, Zhongcaoshan Village Committee (大穗稔村委會、中曹山村委會), the land use rights of a parcel of land with a site area of approximately 423,160.00 sq.m., on which the property is erected, were leased to Shanxi Youran-Tianhe for a term commencing from 1 April 2015 expiring on 30 March 2045.
2. In the valuation of this property, we have attributed no commercial value to the 26 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB155,481,000 (Equivalent to HKD174,189,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
87. 29 buildings and various structures of Niuling Dairy Farm, located in the North of Anying Village, Xingzhai Township, Ying County, Shuozhou City, Shanxi Province, the PRC 牛鈴牧場	The property comprises 29 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2025. The 29 buildings have a total gross floor area of approximately 9,693.38 sq.m., mainly including office building, dormitory building and production workshop. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store and pump room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Fonterra (Ying County) Dairy Farm Co., Ltd. (恒天然 (應縣) 牧場有限公司), which is now known as Shanxi Youran-Tianhe Husbandry Co., Ltd. (山西優然天合牧業有限責任公司, "Shanxi Youran-Tianhe", a wholly-owned subsidiary of the Company) and Anying Village Committee, Nanzhan Village Committee (安營村委會、南湛村委會), the land use rights of a parcel of land with a site area of approximately 917,000.00 sq.m., on which the property is erected, were leased to Shanxi Youran-Tianhe for a term commencing from 1 May 2014 expiring on 30 April 2044.
2. In the valuation of this property, we have attributed no commercial value to the 29 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB287,890,000 (Equivalent to HKD322,530,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
88. 28 buildings and various structures of Sunshine Dairy Farm, located at Daxitou Village, Xingzhai Township, Ying County, Shuozhou City, Shanxi Province, the PRC 陽光牧場	The property comprises 28 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2025. The 28 buildings have a total gross floor area of approximately 13,064.88 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, pools and separation room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into between Fonterra (Ying County) Dairy Farm Co., Ltd. (恒天然(應縣)牧場有限公司), which is now known as Shanxi Youran-Tianhe Husbandry Co., Ltd. (山西優然天合牧業有限責任公司, "Shanxi Youran-Tianhe", a wholly-owned subsidiary of the Company) and Daxitou Village Committee, Hejiadi Village Committee (大西頭村委會、賀家地村委會), the land use rights of a parcel of land with a site area of approximately 793,000.00 sq.m., on which the property is erected, were leased to Shanxi Youran-Tianhe for a term commencing from 1 March 2014 expiring on 28 February 2044.
- In the valuation of this property, we have attributed no commercial value to the 28 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB255,554,000 (Equivalent to HKD286,303,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
89. 21 buildings and various structures of Changqing Dairy Farm, located at Haicheng Village, Haicheng Town, Zhaodong City, Suihua City, Heilongjiang Province, the PRC 長青牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2011 and 2021. The 21 buildings have a total gross floor area of approximately 11,324.00 sq.m., mainly including milking parlour, composite building and office building. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, silage facility and fermentation facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to an Investment Agreement entered into between Zhaodong Changqing Husbandry Co., Ltd. (肇東市長青畜牧有限公司, "Changqing Youran", a wholly-owned subsidiary of the Company) and People's Government of Zhaodong City, Heilongjiang Province (黑龍江省肇東市人民政府), the land use rights of a parcel of land with a site area of approximately 400,002.00 sq.m., on which the property is erected, were leased to Changqing Youran for a term expiring on 29 January 2061.
2. In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB86,499,000 (Equivalent to HKD96,907,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease/investment agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreement.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
90. Various structures of Zhangbei Dairy Farm, located at Heigong Village, Gonghui Town, Zhangbei County, Zhangjiakou City, Hebei Province, the PRC 張北牧場	The property comprises various structures erected on leased land, which were completed in 2014. The structures mainly include monitoring wells.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Farm Lease Agreement entered into between Zhangbei Zhongdu Husbandry Co., Ltd. (張北中都畜牧有限責任公司, "Zhangbei Zhongdu", a wholly-owned subsidiary of the Company) and Zhangbei Huanonglian Breeding Co., Ltd. (張北華農聯養殖有限公司), a dairy farm including the land use rights of a parcel of land with a site area of approximately 452,002.26 sq.m. (678 Mu), all the buildings, some of the structures and the equipment erected or placed on the land, were leased to Zhangbei Zhongdu for a term commencing from 9 December 2025 and expiring on 8 December 2026 at an annual rental of RMB2,932,331.67 inclusive of tax.
2. In the valuation of this property, we have attributed no commercial value to the structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these structures as at the valuation date would be RMB111,000 (Equivalent to HKD124,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
91. A structure of Chilechuan Cultural Tourism, located at Xiaolibao Village, Bikedqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 敕勒川文旅	The property comprises a structure erected on a parcel of land, which was completed in 2023. The structure includes viewing platform.	As at the valuation date, the property was occupied by the Group for ancillary purposes.	No commercial value <i>(Refer to note 2)</i>

Notes:

1. Pursuant to a Land Lease Contract entered into between Hohhot Youran Husbandry Co., Ltd. (呼和浩特優然牧業有限責任公司, "Hohhot Youran", a wholly-owned subsidiary of the Company) and Inner Mongolia Nailun Agricultural Technology Co., Ltd. (內蒙古奈藍農業科技股份有限公司), the land use rights of a parcel of land with a site area of approximately 395,928.65 sq.m., on which the property is erected, were leased to Hohhot Youran commencing from 1 June 2023 and expiring on 1 October 2054.
2. In the valuation of this property, we have attributed no commercial value to the structure of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this structure as at the valuation date would be RMB416,000 (Equivalent to HKD466,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
92. A parcel of land and 3 buildings under construction of Youran Dairy Headquarters Base located at Taigemu Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region the PRC 優然牧業總部基地	The property comprises a parcel of land with a site area of 86,489.37 sq.m. and 3 buildings which were being constructed thereon as at the date of valuation. The research center of the property is scheduled for completion in September 2027, while the completion dates for the remaining buildings have not yet been determined. Upon completion, the buildings of the property will have a total gross floor area of approximately 45,762.36 sq.m. and the details are set out as following:	As at the valuation date, the property was under construction.	88,164,000 (Equivalent to HKD98,772,000)

Building Name	Planned Gross Floor Area (sq.m.)
Composite office building	29,926.96
Canteen	4,242.60
Research Center	11,592.8
Total:	<u>45,762.36</u>

The total construction cost is estimated to be approximately RMB429,767,000, of which approximately RMB42,867,000 had been paid as at the valuation date.

The land use rights of the property have been granted for a term expiring on 10 July 2063 for commercial and financial uses.

Notes:

1. Pursuant to a Real Estate Title Certificate – Meng (2023) Tu Mo Te Zuo Ai Bu Dong Chan Quan Di No. 0007377, the land use rights of a parcel of land with a site area of approximately 86,489.37 sq.m. have been granted to Inner Mongolia Youchuang Industrial Co., Ltd. (內蒙古優創實業有限公司, “Inner Mongolia Youchuang”, a wholly-owned subsidiary of the Company) for a term expiring on 10 July 2063 for commercial and financial uses.
2. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 150121202301018 dated 4 December 2023 in favour of Inner Mongolia Youchuang, 3 buildings with a total gross floor area of approximately 45,762.36 sq.m. have been approved for construction.
3. Pursuant to a Construction Work Commencement Permit – No. 150121202506051101 dated 5 June 2025 in favour of Inner Mongolia Youchuang, permission by the relevant local authority was given to commence the construction work.
4. The market value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB434,064,000 (Equivalent to HKD486,292,000).
5. As advised by the Group, the research center under construction of the property will be acquired by Inner Mongolia Dairy Technology Research Institute Co., Ltd. (內蒙古乳業技術研究院有限公司, a connected party of the Company) upon completion for an estimated amount not exceeding RMB250,000,000, with delivery scheduled no later than 30 September 2027.
6. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. With respect to buildings being constructed by the Group on its own land of which Real Estate Title Certificates of the buildings have not yet been obtained, according to the Company’s description, the property is expected to be completed in 2027. The Group will hold full ownership rights to the buildings upon obtaining the Real Estate Title Certificates.
7. For the purpose of this report, the property is classified into the group as “Group II – Property interests held and under construction by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
93. Various structures of Xianyang Chunhua Dairy Farm, located at Hongyan Village, Tiewang Town, Chunhua County, Xianyang City, Shaanxi Province, the PRC 咸陽淳化牧場	The property comprises various structures erected on leased land, which were completed in 2024. The structures mainly include pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to 4 Land Lease Contracts and 4 Supplementary Agreements entered into between Xianyang Youran Smart Animal Husbandry Co., Ltd. (咸陽優然智慧牧業有限責任公司, "Xianyang Youran", a wholly-owned subsidiary of the Company) and 4 parties, the land use rights of 4 parcels of land with a total site area of approximately 971,393.34 sq.m., on which the property is erected, were leased to Xianyang Youran for a term expiring on 7 December 2044.
- Pursuant to a Farm Lease Contract and a Supplementary Agreement entered into between Xianyang Youran and Xianyang Zhongshanmu Intelligence Co., Ltd. (咸陽仲山牧智慧有限公司), a dairy farm including the land use rights of a parcel of land with a site area of approximately 971,393.34 sq.m., all the buildings, some of the structures and the equipment erected or placed on the land, were leased to Xianyang Youran for a term expiring on 1 September 2044 at an annual rental of RMB32,000,000 inclusive of tax.
- In the valuation of this property, we have attributed no commercial value to the structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these structures as at the valuation date would be RMB598,000 (Equivalent to HKD670,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
94. 40 buildings and various structures of Benteng Dairy Farm No.1, located at Hutongtu Village, Shengle Town, Holinhe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犏騰一牧	The property comprises 40 buildings and various structures erected on leased land, which were completed in various stages between 2012 and 2023. The 40 buildings have a total gross floor area of approximately 15,643.39 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, hay sheds, silage cellars, feeding silos and silage facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 2 Land Lease Contracts entered into between Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犏騰牧業有限公司, "Benteng Husbandry", a 66.86% interest owned subsidiary of the Company) and two Lessors namely Taijiying Village Committee, Shengle Town, Holinhe County (和林格爾縣盛樂鎮台基營村委會) and Hutongtu Village Committee, Qiaoshiying Township, Holinhe County (和林格爾縣巧什營鄉忽通兔村委會), the land use rights of a parcel of land with a site area of approximately 881,000.00 sq.m. (1,321.67 Mu), on which the property is erected, were leased to Benteng Husbandry for terms with the expiry dates on 31 December 2027 and 30 March 2028 at an annual rental of RMB238,459.25.
- In the valuation of this property, we have attributed no commercial value to the 40 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB149,309,000 (Equivalent to HKD167,274,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
95. 46 buildings and various structures of Benteng Dairy Farm No.5, located at Keqin Village, Tabuzhai, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犂騰五牧	The property comprises 46 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2023. The 46 buildings have a total gross floor area of approximately 17,157.14 sq.m., mainly including milking parlour, composite building and office building. The structures mainly include cowsheds, silage cellars, hay sheds, concentrate store, silage facility and weighbridge.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to a Land Lease Contract entered into among Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犂騰牧業有限公司, "Benteng Husbandry", a 66.86% interest owned subsidiary of the Company) and Shuanghao Village Committee, Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉雙號村民委員會) and Keqin Village Committee, Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉可沁村民委員會), the land use rights of a parcel of land with a site area of approximately 366,948.38 sq.m. (550.15 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 19 September 2020 and expiring on 18 September 2050 at an annual rental of RMB389,504.
- Pursuant to a Land Lease Contract entered into between Benteng Husbandry and Shuanghao Village Committee, Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉雙號村民委員會), the land use rights of a parcel of land with a site area of approximately 841,553.90 sq.m. (1,261.70 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 13 March 2012 and expiring on 12 March 2042 at an annual rental of RMB222,409.
- In the valuation of this property, we have attributed no commercial value to the 46 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB246,643,000 (Equivalent to HKD276,320,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.



5. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
96. 21 buildings and various structures of Benteng Dairy Farm No.7, located at Shandai Village, Shandai Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犛騰七牧	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2021. The 21 buildings have a total gross floor area of approximately 7,438.83 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility, pools and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to a Land Lease Contract entered into among Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犛騰牧業有限公司, "Benteng Husbandry", a 66.86% interest owned subsidiary of the Company) and Shandai Village Committee, Shandai Township, Tumote Left Banner (土默特左旗善岱鄉善岱村村委會) and Bingzhouhai Village Committee, Shandai Township, Tumote Left Banner (土默特左旗善岱鄉兵州亥村村委會) and Zhaoshang Village Committee, Shandai Township, Tumote Left Banner (土默特左旗善岱鄉召上村村委會), the land use rights of a parcel of land with a site area of approximately 333,500.00 sq.m. (500 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 1 May 2012 and expiring on 30 April 2042 at an annual rental of RMB121,667.
- In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB64,176,000 (Equivalent to HKD71,898,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
97. 19 buildings and various structures of Benteng Dairy Farm No.8, located at Chengliu Village, Tiemao Township, Chasuqi, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犏騰八牧	The property comprises 19 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2023. The 19 buildings have a total gross floor area of approximately 12,696.00 sq.m., mainly including milking parlour, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility, fermentation facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 33 Land Lease Contracts entered into between Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犏騰牧業有限公司, "Benteng Husbandry", a 66.86% interest owned subsidiary of the Company) and various parties, the land use rights of various parcels of land with a total site area of approximately 296,214.70 sq.m. (444.10 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 1 January 2013 and expiring on 31 December 2042 at an annual rental of RMB115,440.
- In the valuation of this property, we have attributed no commercial value to the 19 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB78,744,000 (Equivalent to HKD88,219,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
98. 27 buildings and various structures of Benteng Dairy Farm No.9, located at Kataiji Village, Bikeqi Town, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犇騰九牧	The property comprises 27 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2023. The 27 buildings have a total gross floor area of approximately 9,618.00 sq.m., mainly including milking parlour, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, pools, yards and roads.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a supplementary agreement entered into among Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犇騰牧業有限公司, “Benteng Husbandry”, a 66.86% interest owned subsidiary of the Company) and Kataiji Village Committee, Beishizhou Township, Tumote Left Banner (土默特左旗北什軸鄉卡台基村村委會) and Mr. Wen Rui (文瑞), the land use rights of a parcel of land with a site area of approximately 344,129.89 sq.m. (516.20 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 1 February 2013 and expiring on 31 January 2039 at an annual rental of RMB134,212.
2. In the valuation of this property, we have attributed no commercial value to the 27 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB68,593,000 (Equivalent to HKD76,846,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
99. 15 buildings and various structures of Benteng Dairy Farm No.10, located at 2km Southwest of Shuanghao Village, Tiemao Township, Tumote Left Banner, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犂騰十牧	The property comprises 15 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2021. The 15 buildings have a total gross floor area of approximately 7,647.62 sq.m., mainly including milking parlour, dormitory building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, silage facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犂騰牧業有限公司, "Benteng Husbandry", a 66.86% interest owned subsidiary of the Company) and Tiemao Zhanggaitai Village Committee, Tabusai Township, Tumote Left Banner (土默特左旗塔布賽鄉鐵帽章蓋台村民委員會), the land use rights of a parcel of land with a site area of approximately 383,335.25 sq.m. (575 Mu), on which the property is erected, were leased to Benteng Husbandry for a term commencing from 29 March 2013 and expiring on 29 March 2043 at an annual rental of RMB149,500.
2. In the valuation of this property, we have attributed no commercial value to the 15 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB84,358,000 (Equivalent to HKD94,508,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreement entered into by the Group with respect to such land is legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
100. A parcel of land, 20 buildings and various structures of Benteng Dairy Farm No.12, located at Maoyanjiawa, Chengguan Town, Holinhe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 犏騰十二牧	The property comprises a parcel of land with a site area of 108,971.21 sq.m. and 20 buildings erected thereon and various structures erected on leased land, which were completed in various stages between 2012 and 2021. The 20 buildings have a total gross floor area of approximately 20,683.37 sq.m., mainly including milking parlour, office building and boiler room. The structures mainly include cowsheds, silage facility, silage cellars, concentrate store, pools and yards. The land use rights of the property have been granted for a term expiring on 7 June 2061 for commercial service use. The structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	36,966,000 (Equivalent to HKD41,414,000) Attributable to the Group 24,715,000 (Equivalent to HKD27,689,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2021) He Lin Ge Er Xian Bu Dong Chan Quan Di No. 0003754, the land use rights of a parcel of land with a site area of approximately 108,971.21 sq.m. have been granted to Inner Mongolia Best Holsteins Co., Ltd. (內蒙古犏騰牧業有限公司, “Inner Mongolia Best Holsteins”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 7 June 2061 for commercial service use. 20 buildings with a total gross floor area of approximately 20,683.37 sq.m. are owned by Inner Mongolia Best Holsteins.
- Pursuant to a Land Lease Contract entered into between the Group and Hellingeer Forestry Bureau (和林格爾林業局), the land use rights of a parcel of land with a site area of approximately 139,998.60 sq.m., on which portions of the property and portions of the property no. 120 are erected, were leased to the Group for term commencing from 1 May 2010 and expiring on 1 May 2040 at an annual rental of RMB5,000.
- In the valuation of this property, we have attributed no commercial value to the structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these structures as at the valuation date would be RMB23,835,000 (Equivalent to HKD26,703,000).



4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to these buildings and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
101. 21 buildings and various structures of Tuoketuo Dairy Farm, located at 1km East of Xinyingzi Village, Wushen Town, Togtoh County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 托縣牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2023. The 21 buildings have a total gross floor area of approximately 9,568.30 sq.m., mainly including office building, dormitory building and production workshop. The structures mainly include cowsheds, silage cellars, concentrate store, hay sheds, fermentation facility and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 4 Land Lease Contracts entered into between Inner Mongolia Saikexing Animal Husbandry Co., Ltd. (內蒙古賽科星牧業有限公司, "Inner Mongolia Saikexing", a 66.86% interest owned subsidiary of the Company) and four independent third parties, the land use rights of 4 parcels of land with a total site area of approximately 574,569.54 sq.m., on which the property is erected, were leased to Inner Mongolia Saikexing for a term commencing from 1 January 2013 and expiring on 31 December 2042 at an annual rental of RMB574,567.
2. In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB119,015,000 (Equivalent to HKD133,335,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
102. 18 buildings and various structures and 3 buildings and structures under construction of Qingshuihe Dairy Farm, located at Bobodai Village, Wuliangtai Township, Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 清水河牧場	The property comprises 18 buildings and various structures erected on leased land, which were completed in 2023. The 18 buildings have a total gross floor area of approximately 13,072.28 sq.m., mainly including milking parlour, dormitory building and pump room. The structures mainly include cowsheds, silage cellars, hay sheds, fermentation facility, weighbridge and pools. In addition to the completed buildings and structures, there are 3 buildings and structures which were under construction as at the valuation date and are scheduled for completion in 2026. Upon completion, these 3 buildings will have a total gross floor area of approximately 13,376.40 sq.m. The total construction cost is estimated to be approximately RMB11,135,000, of which approximately RMB5,696,000 had been paid as at the valuation date.	As at the valuation date, apart from the buildings and structures which were under construction, the remaining portions of the property were occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 4)

Notes:

- Pursuant to 2 Land Lease Contracts entered into between Qingshuihe Saikexing Animal Husbandry Co., Ltd. (清水河賽科星牧業有限責任公司, "Qingshuihe Saikexing", a 66.86% interest owned subsidiary of the Company) and Village Committee of Qingdougou Village, Wuliangtai Township, Qingshuihe County (清水河縣五良太鄉青豆溝村民委員會), the land use rights of a parcel of land with a site area of approximately 1,000,000 sq.m. (1,500 Mu), on which the property is erected, were leased to Qingshuihe Saikexing for a term expiring on 29 July 2050 at an annual rental of RMB100,070.
- According to a Facility Agricultural Land Filing Certificate (設施農業用地備案證明) dated 28 June 2021, all required approvals from forestry, natural resources, water resources, and environmental protection authorities for the "National Dairy Innovation Center Core Dairy Cattle Breeding Farm and National Embryo Engineering Center Project" (國家乳業創新中心奶牛核心育種場與國家胚胎工程中心專案) of Qingshuihe Dairy Farm have been obtained. The Group has been officially granted the filing approval for the use of the land for production facilities.

3. The replacement cost of 3 buildings and structures under construction of the property as if completed as at the valuation date according to the development proposal and which can be freely transferred in the market, would be RMB13,108,000 (Equivalent to HKD14,685,000).
4. In the valuation of this property, we have attributed no commercial value to the 18 buildings and structures, and the building and structures under construction of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures and the replacement cost of the buildings and structures under construction as at the valuation date would be RMB170,964,000 (Equivalent to HKD191,535,000) and RMB3,628,000 (Equivalent to HKD4,065,000) respectively.
5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
6. For the purpose of this report, the property is classified into the following group according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market Value in existing state as at the valuation date (RMB)	Depreciated Replacement Cost/Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
Group I – Property interests held and occupied by the Group in the PRC	No commercial value	170,964,000
Group II – Property interests held and under construction by the Group in the PRC	No commercial value	3,628,000
Total:	<u>Nil</u>	<u>174,592,000</u> (Equivalent to HKD195,600,000)

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
103. 23 buildings and various structures of Ordos Dairy Farm, located at Ergouwan Village, Zhaojun Town, Dalate Banner, Ordos City, Inner Mongolia Autonomous Region, the PRC 鄂爾多斯牧場	The property comprises 23 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2022. The 23 buildings have a total gross floor area of approximately 16,035.26 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, silage facility, silage cellars, hay sheds, separation room and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 5 Land Lease Contracts entered into between Ordos Saikexing Breeding Co., Ltd. (鄂爾多斯市賽科星養殖有限責任公司, "Ordos Saikexing", a 66.86% interest owned subsidiary of the Company) and five independent third parties, the land use rights of 5 parcels of land with a total site area of approximately 873,854.08 sq.m., on which the property is erected, were leased to Ordos Saikexing for terms with the expiry dates between 31 December 2030 and 27 September 2059 at an annual rental of RMB236,108.
- In the valuation of this property, we have attributed no commercial value to the 23 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB114,015,000 (Equivalent to HKD127,734,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
104. 24 buildings and various structures of Dalate Dairy Farm, located at Guanjing Village, Zhonghexi Town, Dalate Banner, Ordos City, Inner Mongolia Autonomous Region, the PRC 達旗牧場	The property comprises 24 buildings and various structures erected on leased land, which were completed in various stages between 2017 and 2024. The 24 buildings have a total gross floor area of approximately 11,325.30 sq.m., mainly including milking parlour, composite building and dormitory building. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, silage facility and fire protection facility.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 2 Land Lease Contracts entered into between Dalad Banner Saiyou Animal Husbandry Co., Ltd. (達拉特旗賽優牧業有限公司, "Dalad Banner Saiyou", a 66.86% interest owned subsidiary of the Company) and various parties, the land use rights of 2 parcels of land with a total site area of approximately 1,079,524.26 sq.m., on which the property is erected, were leased to Dalad Banner Saiyou for a term expiring on 12 April 2041 at an annual rental of RMB417,792.
2. In the valuation of this property, we have attributed no commercial value to the 24 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB147,490,000 (Equivalent to HKD165,236,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
105. A parcel of land, 31 buildings and various structures of Etuoke Dairy Farm, located at Caozichang, Qipanjing Town, Otog Banner, Ordos City, Inner Mongolia Autonomous Region, the PRC 鄂旗牧場	The property comprises a parcel of land with a site area of 26,009.10 sq.m. and 17 buildings with a total gross floor area of approximately 17,148.73 sq.m. erected thereon and the remaining 14 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2022. The 31 buildings have a total gross floor area of approximately 34,410.57 sq.m., mainly including milking parlour, office building and laboratory. The structures mainly include cowsheds, silage facility, hay sheds, concentrate store, silage cellars and feeding silos. The land use rights of the property have been granted for a term expiring on 22 April 2062 for industrial use. Except for 17 buildings, the remaining buildings and structures of the property are erected on 2 parcels of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	15,354,000 (Equivalent to HKD17,201,000) Attributable to the Group 10,266,000 (Equivalent to HKD11,501,000) <i>(Refer to note 4)</i>

Notes:

- Pursuant to 6 Real Estate Title Certificates – Meng (2019) E Tuo Ke Qi Bu Dong Chan Quan Di Nos. 0005175 to 0005179 and 0005205, the land use rights of a parcel of land with a site area of approximately 26,009.10 sq.m. have been granted to Otog Banner Saiyou Animal Husbandry Co., Ltd. (鄂托克旗賽優牧業有限公司, “Otog Banner Saiyou”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 22 April 2062 for industrial use. 17 buildings with a total gross floor area of approximately 17,148.73 sq.m. are owned by Otog Banner Saiyou.
- Pursuant to a Land Lease Contract entered into between Otog Banner Saiyou and Etuoke Banner Yutian Planting and Breeding Development Co., Ltd. (鄂托克旗雨田種養殖發展有限責任公司), the land use rights of a parcel of land with a site area of approximately 346,668.40 sq.m. (520 Mu), on which portions of the property are erected, were leased to Otog Banner Saiyou for a term expiring on 30 December 2030 at an annual rental of RMB356,584.78.

3. Pursuant to a Farm Lease Agreement entered into between Otog Banner Saiyou and Etuohe Banner Yutian Planting and Breeding Development Co., Ltd. (鄂托克旗雨田種養殖發展有限責任公司), a dairy farm including the land use rights of a parcel of land with a site area of approximately 188,667.61 sq.m. (283 Mu), an office building, 4 cowsheds and some of the structures erected on the land, were leased to Otog Banner Saiyou for a term commencing from 1 January 2019 and expiring on 30 December 2030 at an annual rental of RMB462,705.
4. In the valuation of this property, we have attributed no commercial value to the 14 buildings with a total gross floor area of approximately 17,261.84 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB71,601,000 (Equivalent to HKD80,216,000).
5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to 17 buildings and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such buildings through other lawful means. As of 31 January 2026, the aforementioned buildings are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
6. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
106. 20 buildings and various structures of Bayannur Dairy Farm, located at Saikexing Dairy Farm, Branch 3, Taiyang Temple Farm, Hangjin Rear Banner, Bayannur City, Inner Mongolia Autonomous Region, the PRC 巴盟牧場	The property comprises 20 buildings and various structures erected on leased land, which were completed in various stages between 2022 and 2024. The 20 buildings have a total gross floor area of approximately 23,902.20 sq.m., mainly including milking parlour, dormitory building and canteen. The structures mainly include cowsheds, hay sheds, pools, fire protection facility, yards and roads.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to a Land Lease Contract entered into between Bayannur Saikexing Animal Husbandry Co., Ltd. (巴彥淖爾賽科星牧業有限責任公司, "Bayannur Saikexing", a 66.86% interest owned subsidiary of the Company) and Taiyangmiao Farm, Bayannur City (巴彥淖爾市太陽廟農場), the land use rights of a parcel of land with a site area of approximately 621.3915 Mu, on which the property is erected, were leased to Bayannur Saikexing for a term expiring on 30 November 2040 at an annual rental of RMB55,464.24.
- Pursuant to a Land Lease Contract entered into between Bayannur Saikexing and Village Committee of Wulanhashao Village, Huhewenduer Town, Urad Rear Banner (烏拉特後旗呼倫貝爾鎮烏蘭哈哨村民委員會), the land use rights of a parcel of land with a site area of approximately 794.3835 Mu, on which the property is erected, were leased to Bayannur Saikexing for a term expiring on 30 November 2040 at an annual rental of RMB78,845.81.
- In the valuation of this property, we have attributed no commercial value to the 20 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB274,342,000 (Equivalent to HKD307,352,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
107. 29 buildings and various structures of Ningxia Dairy Farm No.1, located at East of Yueya Lake Township, Xingqing District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC 寧夏一牧	The property comprises 29 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2025. The 29 buildings have a total gross floor area of approximately 19,953.18 sq.m., mainly including office building, dormitory building and production workshop. The structures mainly include cowsheds, hay sheds, silage cellars, silage facility, concentrate store and pools.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 3 Land Lease Contracts entered into between Ningxia Saikexing Breeding Co., Ltd. (寧夏賽科星養殖有限責任公司), "Ningxia Saikexing", a 66.86% interest owned subsidiary of the Company) and Yang Yucheng, Yang Yulong and People's Government of Yueya Lake Township, Xingqing District, Yinchuan City (楊玉成, 楊玉龍, 銀川市興慶區月牙湖鄉人民政府), the land use rights of 3 parcels of land with a total site area of approximately 484,107.85 sq.m., on which the property is erected, were leased to Ningxia Saikexing for a term with the expiry dates on 11 September 2033, 31 December 2034 and 24 April 2043 at an annual rental of RMB458,816.
2. In the valuation of this property, we have attributed no commercial value to the 29 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB166,049,000 (Equivalent to HKD186,028,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
108. 17 buildings and various structures of Ningxia Dairy Farm No.2, located at East of Yueyahu Township, Xingqing District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC 寧夏二牧	The property comprises 17 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2025. The 17 buildings have a total gross floor area of approximately 8,548.23 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, concentrate store, hay sheds, silage facility and silage cellars.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Ningxia Saikexing Breeding Co., Ltd. (寧夏賽科星養殖有限責任公司, "Ningxia Saikexing", a 66.86% interest owned subsidiary of the Company) and Yang Lei (楊磊), the land use rights of a parcel of land with a site area of approximately 206,021.51 sq.m., on which the property is erected, were leased to Ningxia Saikexing for a term commencing from 11 September 2013 expiring on 11 September 2033 at an annual rental of RMB104,172.
2. In the valuation of this property, we have attributed no commercial value to the 17 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB55,000,000 (Equivalent to HKD61,618,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
109. 27 buildings and various structures of Ben Dairy Farm, located at Team 7, Zhongjie Industrial Park, Huanghua City, Cangzhou City, Hebei Province, the PRC 犇牧場	The property comprises 27 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2025. The 27 buildings have a total gross floor area of approximately 29,812.40 sq.m., mainly including power distribution room and ancillary building. The structures mainly include cowsheds, silage cellars, hay sheds, pools, fire protection facility and yards.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 2 Land Lease Contracts entered into between Hebei Benfang Animal Husbandry Co., Ltd. (河北犇放牧業有限公司, "Hebei Benfang", a 66.86% interest owned subsidiary of the Company) and Cangzhou Lingang Zhongjie Agricultural Development Co., Ltd. (滄州臨港中捷農業發展有限公司), the land use rights of 2 parcels of land with a total site area of approximately 1,238,833.34 sq.m., on which the property is erected, were leased to Hebei Benfang for terms with the expiry dates on 20 May 2044 and 31 December 2044 at an annual rental of RMB321,973.
2. In the valuation of this property, we have attributed no commercial value to the 27 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB352,087,000 (Equivalent to HKD394,451,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
110. 19 buildings and various structures of Wuqiang Dairy Farm, located at Liunanzhao Village, Sunzhuang Township, Wuqiang County, Hengshui City, Hebei Province, the PRC 武強牧場	The property comprises 19 buildings and various structures erected on leased land, which were completed in various stages between 2018 and 2021. The 19 buildings have a total gross floor area of approximately 9,753.39 sq.m., mainly including milking parlour, composite building and canteen. The structures mainly include cowsheds, hay sheds, silage cellars, silage facility, pools and separation room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Wuqiang Saiyou Animal Husbandry Co., Ltd. (武強賽優牧業有限公司, "Wuqiang Saiyou", a 66.86% interest owned subsidiary of the Company) and People's Government of Dongsunzhuang Town, Wuqiang County (武強縣東孫莊鎮人民政府), the land use rights of a parcel of land with a total site area of approximately 410,668.72 sq.m., on which the property is erected, were leased to Wuqiang Saiyou for a term commencing from 16 October 2015 expiring on 31 October 2045 at an annual rental of RMB800,800.
2. In the valuation of this property, we have attributed no commercial value to the 19 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB94,521,000 (Equivalent to HKD105,894,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
111. 21 buildings and various structures of Cangzhou Dairy Farm, located at Qianlizhai Village, Yaoguantun Township, Cang County, Cangzhou City, Hebei Province, the PRC 滄州牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2022. The 21 buildings have a total gross floor area of approximately 6,859.84 sq.m., mainly including office building, laboratory and veterinary room. The structures mainly include cowsheds, silage facility, concentrate store, hay sheds, pools and enclosure walls.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Cangzhou Saikexing Animal Husbandry Co., Ltd. (滄州賽科星牧業有限公司, "Cangzhou Saikexing", a 66.86% interest owned subsidiary of the Company) and Zhao Yuanfang (趙元芳), the land use rights of a parcel of land with a total site area of approximately 169,333.33 sq.m. (254 Mu), on which the property is erected, were leased to Cangzhou Saikexing for a term commencing from 8 June 2015 expiring on 8 June 2028 at an annual rental of RMB211,772.72.
2. In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB31,139,000 (Equivalent to HKD34,886,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
112. 14 buildings and various structures of Dingzhou Dairy Farm, located at Yangjiaying Village, Haotouzhuang Township, Dingzhou City, Hebei Province, the PRC 定州牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2021. The 14 buildings have a total gross floor area of approximately 3,819.76 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, hay sheds, silage cellars, separation room, pools and enclosure walls.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a Supplementary Agreement entered into between Dingzhou Saikexing Iren Animal Husbandry Co., Ltd. (定州市賽科星伊人牧業有限公司, "Dingzhou Saikexin", a 66.86% interest owned subsidiary of the Company) and Village Committee of Yangjiaying Village (楊家營村民委員會), the land use rights of a parcel of land with a total site area of approximately 108,620.88 sq.m., on which the property is erected, were leased to Dingzhou Saikexin for terms with the expiry dates on 1 January 2037 and 31 December 2037 at an annual rental of RMB116,800.
2. In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB32,691,000 (Equivalent to HKD36,624,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
113. 14 buildings and various structures of Miyun Dairy Farm, located 1000m Southwest of Xikangezhuang Village, Xitiangezhuang Town, Miyun District, Beijing, the PRC 密雲牧場	The property comprises 14 buildings and various structures erected on leased land, which were completed in various stages between 2013 and 2025. The 14 buildings have a total gross floor area of approximately 12,668.07 sq.m., mainly including office building, dormitory building and canteen. The structures mainly include cowsheds, concentrate store, silage cellars, hay sheds, silage facility and feed silos.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

- Pursuant to 3 Land Lease Contracts and several Supplementary Agreements entered into between Beijing Haihua Yundu Ecological Agriculture Co., Ltd. (北京海華雲都生態農業有限公司, "Beijing Haihua Yundu", a 66.86% interest owned subsidiary of the Company) and Xikanggezhuang Shareholding Economic Cooperative, Xitiangezhuang Town, Miyun District, Beijing (北京密雲區西田各莊鎮西康各莊股份經濟合作社), the land use rights of 3 parcels of land with a total site area of approximately 730,033.70 sq.m., on which the property is erected, were leased to Beijing Haihua Yundu for terms with the expiry dates on 31 December 2027 and 31 December 2040 at an annual rental of RMB1,659,727.
- In the valuation of this property, we have attributed no commercial value to the 14 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB196,782,000 (Equivalent to HKD220,459,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
- For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
114. 16 buildings and various structures of Chengde Dairy Farm, located at Huangtushan Community, Branch 2, Yudaokou Pasture, Weichang Manchu Mongolian Autonomous County, Chengde City, Hebei Province, the PRC 承德牧場	The property comprises 16 buildings and various structures erected on leased land, which were completed in various stages between 2019 and 2025. The 16 buildings have a total gross floor area of approximately 6,552.00 sq.m., mainly including milking parlour, office building and boiler room. The structures mainly include cowsheds, silage cellars, hay sheds, pools, fire protection facility and separation room.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract and a Supplementary Agreement entered into between Chengde Saiyou Animal Husbandry Co., Ltd. (承德賽優牧業有限公司, “Chengde Saiyou”, a 66.86% interest owned subsidiary of the Company) and Yudaokou Farm (禦道口牧場), the land use rights of a parcel of land with a site area of approximately 173,333.34 sq.m., on which the property is erected, were leased to Chengde Saiyou for a term commencing from 1 June 2014 and expiring on 31 May 2054 at nil rent.
2. In the valuation of this property, we have attributed no commercial value to the 16 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB43,313,000 (Equivalent to HKD48,525,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
115. 11 buildings and various structures of Xinghua Dairy Farm, located at Huanghua Village, Qianduo Town, Xinghua City, Taizhou City, Jiangsu Province, the PRC 興化牧場	The property comprises 11 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2024. The 11 buildings have a total gross floor area of approximately 12,060.51 sq.m., mainly including milking parlour, power distribution room and ancillary building. The structures mainly include cowsheds, hay sheds, silage facility, weighbridge, pools and yards.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to 3 Land Lease Contracts entered into between Huaxia Animal Husbandry Xinghua Co., Ltd. (華夏畜牧興化有限公司, "Huaxia Animal", a 66.86% interest owned subsidiary of the Company) and three independent parties, the land use rights of 3 parcels of land with a total site area of approximately 4,626,145.25 sq.m., on which the property is erected, were leased to Huaxia Animal for terms with the expiry dates on 22 January 2028, 25 January 2030 and 31 December 2063 at an annual rental of RMB10,102,141.
2. In the valuation of this property, we have attributed no commercial value to the 11 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB165,474,000 (Equivalent to HKD185,384,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
116. 8 buildings and various structures of Xundian Dairy Farm, located at Junction of Jiange Village, Huagou Village and Fada Xiaocun, Jiange Village Committee, Qixing Town, Xundian Hui Yi Autonomous County, Kunming City, Yunnan Province, the PRC 尋甸牧場	The property comprises 8 buildings and various structures erected on leased land, which were completed in various stages between 2016 and 2023. The 8 buildings have a total gross floor area of approximately 2,733.91 sq.m., mainly including milking parlour, office building and power distribution room. The structures mainly include cowsheds, silage facility, hay sheds, pools, yards and enclosure walls.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 2)

Notes:

1. Pursuant to a Land Lease Contract entered into between Xundian Saiyou Animal Husbandry Co., Ltd. (尋甸賽優牧業有限公司, "Xundian Saiyou", a 66.86% interest owned subsidiary of the Company) and Chen Chaoyun (陳朝雲), the land use rights of a parcel of land with a site area of approximately 135,686.67 sq.m. (203.53 Mu), on which the property is erected, were leased to Xundian Saiyou for a term commencing from 1 May 2013 and expiring on 30 April 2043 at an annual rental of RMB81,412.
2. In the valuation of this property, we have attributed no commercial value to the 8 buildings and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB23,933,000 (Equivalent to HKD26,813,000).
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
4. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
117. A parcel of land, 21 buildings and various structures of Zhalantun Dairy Farm, located at Group 3, Dadianzi Village, Genghis Khan Town, Zhalantun City, Hulunbuir City, Inner Mongolia Autonomous Region, the PRC 紮蘭屯牧場	The property comprises a parcel of land with a site area of 5,748.73 sq.m. and 3 buildings with a total gross floor area of approximately 2,183.00 sq.m. erected thereon and 18 buildings and various structures erected on leased land, which were completed in various stages between 2014 and 2024. The 21 buildings have a total gross floor area of approximately 10,672.00 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, silage cellars, pools, boiler room, yards and roads. The land use rights of the property have been granted for a term expiring on 6 July 2055 for commercial service use. Except for 3 buildings, the remaining 18 buildings and structures of the property are erected on 3 parcels of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	2,995,000 (Equivalent to HKD3,355,000) Attributable to the Group 2,002,000 (Equivalent to HKD2,243,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2016) Zha Lan Tun Shi Bu Dong Chan Quan Di No. 0001408, the land use rights of a parcel of land with a site area of approximately 5,748.73 sq.m. have been granted to Hulunbuir Saiyou Animal Husbandry Co., Ltd. (呼倫貝爾市賽優牧業有限公司, “Hulunbuir Saiyou”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 6 July 2055 for commercial service use.
- Pursuant to 3 Land Lease Contracts entered into between Hulunbuir Saiyou and three independent third parties, the land use rights of 3 parcels of land with a total site area of approximately 447,466.67 sq.m., on which portions of the property are erected, were leased to Hulunbuir Saiyou for terms with the expiry dates on 31 October 2034 and 1 January 2056 at an annual rental of RMB101,600.
- Hulunbuir Saiyou has obtained the Real Estate Title Certificate for a parcel of land mentioned in note 1, therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to 3 buildings with a total gross floor area of

approximately 2,183.00 sq.m. due to lack of Real Estate Title Certificate and 18 buildings with a total gross floor area of approximately 8,489.00 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB106,020,000 (Equivalent to HKD118,777,000).

4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. With respect to buildings constructed by the Group on its own land of which Real Estate Title Certificates have not yet been obtained, according to the Company's description, due to historical issues, Hulunbuir Saiyou is encountering certain difficulties in processing Real Estate Title Certificates for the 3 buildings with a total gross floor area of approximately 2,183.00 sq.m. mentioned in note 3, but efforts to complete the registration are still ongoing. As the total area of the relevant buildings accounts for a relatively small proportion of the Group's properties, it does not exert any material adverse effect on the Company's overall production and operation. The Group is entitled, under applicable law, to occupy and use such buildings; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
118. A parcel of land, 19 buildings and various structures of Arongqi Dairy Farm, located at Yangweigou Group, Mahe Village, Deliqier Ewenki Township, Arongqi Banner, Hulunbuir City, Inner Mongolia Autonomous Region, the PRC 阿榮旗牧場	The property comprises a parcel of land with a site area of 4,900.00 sq.m. and a building with a gross floor area of approximately 4,835.83 sq.m. erected thereon and 18 buildings and various structures erected on leased land, which were completed in 2023. The 19 buildings have a total gross floor area of approximately 20,459.68 sq.m., mainly including milking parlour, composite building and production workshop. The structures mainly include cowsheds, hay sheds, silage cellars, concentrate store, weighbridge and pools. The land use rights of the property have been granted for a term expiring on 26 May 2061 for commercial service use. Except for a building, the remaining buildings and structures of the property are erected on a parcel of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	16,392,000 (Equivalent to HKD18,364,000) Attributable to the Group 10,960,000 (Equivalent to HKD12,279,000) <i>(Refer to note 3)</i>

Notes:

- Pursuant to a Real Estate Title Certificate – Meng (2025) A Rong Qi Bu Dong Chan Quan Di No. 0001157, the land use rights of a parcel of land with a site area of approximately 4,900.00 sq.m. have been granted to Hulunbuir Saikexing Animal Husbandry Co., Ltd. (呼倫貝爾賽科星牧業有限公司, “Hulunbuir Saikexing”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 26 May 2061 for commercial service use. A building with a gross floor area of approximately 4,835.83 sq.m. is owned by Hulunbuir Saikexing.
- Pursuant to a Land Lease Contract entered into Hulunbuir Saikexing and Village Committee of Mahe Village, Deliqier Ewenki Ethnic Township (得力其爾鄂溫克族鄉馬河村民委員會), the land use rights of a parcel of land with a site area of approximately 875,991.05 sq.m. (1,313.98 Mu), on which portions of the property are erected, were leased to Hulunbuir Saikexing for a term commencing from 1 July 2020 and expiring on 30 June 2050 at an annual rental of RMB394,194.
- Hulunbuir Saikexing has obtained the Real Estate Title Certificate for a parcel of land and a building mentioned in note 1, therefore we have provided our opinion of market value for them. In the



valuation of this property, we have attributed no commercial value to the 18 buildings with a total gross floor area of approximately 15,623.85 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB272,389,000 (Equivalent to HKD305,164,000).

4. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights;
 - b. The Group legally and validly owns the ownership rights to a building and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such building through other lawful means. As of 31 January 2026, the aforementioned building is not subject to any mortgage or other encumbrances or restrictions on rights; and
 - c. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
5. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
119. A parcel of land, portions of a building and various structures of Saikexing Headquarters, located at East Side of East Auxiliary Road of Jinsheng Road, South of Yungu Avenue, Shengle Modern Service Industry Cluster, Holinhe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 賽科星總部	The property comprises a parcel of land with a site area of 78,226.90 sq.m. and portions of an office building and various structures erected on the land, which were completed in 2016. Portions of an office building have a total gross floor area of approximately 16,080.95 sq.m. The structures mainly include roads and pipelines. The land use rights of the property have been granted for a term expiring on 27 July 2056 for commercial service use.	As at the valuation date, the property was occupied by the Group for office and ancillary purposes.	97,091,000 (Equivalent to HKD108,773,000) Attributable to the Group 64,915,000 (Equivalent to HKD72,726,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Meng (2018) He Lin Ge Er Xian Bu Dong Chan Quan Zheng Di No. 0002333, the land use rights of a parcel of land with a site area of approximately 78,226.39 sq.m. have been granted to Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司, “Saikexing Reproductive Biotechnology”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 27 July 2056 for commercial service use. A building with a total gross floor area of approximately 19,600.95 sq.m. (including the property and portions of an office building of property no. 121 with a gross floor area of approximately 3,520.00 sq.m.) is owned by Saikexing Reproductive Biotechnology.
2. Saikexing Reproductive Biotechnology has obtained the Real Estate Title Certificate for a parcel of land (with a site area of approximately 78,226.90 sq.m.) and portions of an office building (with a gross floor area of approximately 16,080.95 sq.m.) erected thereon mentioned in note 1, therefore we have provided our opinion of market value for them.
3. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and



- b. The Group legally and validly owns the ownership rights to the property and is entitled, in accordance with the law, to occupy, use, lease, transfer, mortgage, or otherwise dispose of such property through other lawful means. As of 31 January 2026, the aforementioned property are not subject to any mortgage or other encumbrances or restrictions on rights.
- 4. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
120. 3 buildings of Research Institute, located at Maoyanjiawa, Chengguan Town, Holinhe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 研究院	The property comprises a building with the corresponding granted land use rights, and 2 buildings erected on leased land, which were completed in various stages between 2014 and 2024. The 3 buildings have a total gross floor area of approximately 5,044.01 sq.m., mainly including ancillary buildings.	As at the valuation date, the property was occupied by the Group for office and ancillary purposes.	245,000 (Equivalent to HKD274,000) Attributable to the Group 164,000 (Equivalent to HKD184,000) <i>(Refer to note 4)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – He Lin Ge Er Xian Guo Yong (2011) Zi Di No. 000223, the land use rights of a parcel of land with a site area of approximately 108,346.40 sq.m. (including the corresponding land use rights of a building with a gross floor area of approximately 92.01 sq.m. of the property and the land use rights of property no. 121) have been granted to Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司, “Saikexing Reproductive Biotechnology”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 1 April 2059 for scientific and technological use.
- Pursuant to a Building Ownership Certificate – Meng Fang Quan Zheng He Lin Ge Er Xian Zi Di No. 183031400901, a building with a gross floor area of approximately 92.01 sq.m. is owned by Saikexing Reproductive Biotechnology.
- Pursuant to a Land Lease Contract entered into between Saikexing Reproductive Biotechnology and Helinggeer Forestry Bureau (和林格爾林業局), the land use rights of a parcel of land with a site area of approximately 139,998.60 sq.m., on which portions of the property and portions of property no. 100 are erected, were leased to Saikexing Reproductive Biotechnology for a term commencing from 1 May 2010 and expiring on 1 May 2040 at an annual rental of RMB5,000.
- Saikexing Reproductive Biotechnology has obtained the Land Use Rights Certificate and the Building Ownership Certificate for a building (with a gross floor area of approximately 92.01 sq.m.), therefore we have provided our opinion of market value for it. In the valuation of this property, we have attributed no commercial value to the 2 buildings with a total gross floor area of approximately 4,952.00 sq.m. of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB4,954,000 (Equivalent to HKD5,550,000).
- We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company’s PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:



- a. The Group has legally obtained the rights to use the state-owned construction land with the State-owned Land Use Rights Certificate and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
6. For the purpose of this report, the property is classified into the group as “Group I – Property interests held and occupied by the Group in the PRC” according to the purpose for which it is held.



VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
121. A parcel of land, 22 buildings and various structures of Seed Industry, located at Maoyanjiawa, Chengguan Town and portions of an office building located at East Side of East Auxiliary Road of Jinsheng Road, South of Yungu Avenue, Shengle Modern Service Industry Cluster Holinhe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 種業	The property comprises a parcel of land with a site area of 108,346.40 sq.m. and 9 buildings with a total gross floor area of approximately 14,898.44 sq.m. erected thereon, portions of an office building with the corresponding granted land use rights, and 13 buildings and various structures erected on leased land, which were completed in various stages between 2010 and 2016. The 22 buildings and portions of an office building have a total gross floor area of approximately 18,896.44 sq.m., mainly including dormitory building, production building and boiler room. The structures mainly include cowsheds, silage cellars, pools, fire protection facility, yards and roads. The land use rights of the aforementioned parcel of land have been granted for a term expiring on 1 April 2059 for scientific and technological use. Except for 9 buildings and portions of an office building, the remaining 13 buildings and structures of the property are erected on 2 parcels of leased land.	As at the valuation date, the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	50,052,000 (Equivalent to HKD56,074,000) Attributable to the Group 33,465,000 (Equivalent to HKD37,492,000) <i>(Refer to note 5)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – He Lin Ge Er Xian Guo Yong (2011) Zi Di No. 000223, the land use rights of a parcel of land with a site area of approximately 108,346.40 sq.m. (including the land use rights of the property and the corresponding land use rights of a building of property no. 120) have been granted to Inner Mongolia Saikexing Reproductive Biotechnology Co., Ltd. (內蒙古賽科星繁育生物技术(集團)股份有限公司, “Saikexing Reproductive Biotechnology”, a 66.86% interest owned subsidiary of the Company) for a term expiring on 1 April 2059 for scientific and technological use.

2. Pursuant to 8 Building Ownership Certificates – Meng Fang Quan Zheng He Lin Ge Er Xian Zi Di Nos. 183031400897 to 183031400904, 9 buildings with a total gross floor area of approximately 14,898.44 sq.m. are owned by Saikexing Reproductive Biotechnology.
3. Pursuant to a Real Estate Title Certificate– Meng (2018) He Lin Ge Er Xian Bu Dong Chan Quan Zheng Di No. 0002333, the land use rights of a parcel of land with a site area of approximately 78,226.39 sq.m. (including the land use rights of property no. 119 and the corresponding land use rights of portions of the office building of the property) have been granted to Saikexing Reproductive Biotechnology for a term expiring on 27 July 2056 for commercial service use. A building with a total gross floor area of approximately 19,600.95 sq.m. (including portions of the office building of the property with a gross floor area of approximately 3,520.00 sq.m. and the remaining portions of the office building of property no. 119 with a gross floor area of approximately 16,080.95 sq.m.) is owned by Saikexing Reproductive Biotechnology.
4. Pursuant to 2 Land Lease Contracts entered into between Saikexing Reproductive Biotechnology and Zhongshuiquan Administrative Village, Dahongcheng Town, Holinhe County, Shanlama Village, Chengguan Town, Holinhe County (和林格爾縣大紅城中水泉行政村、和林格爾縣城關鎮善喇嘛村), the land use rights of 2 parcels of land with a total site area of approximately 1,333,340.00 sq.m. (2,000 Mu), on which portions of the property are erected, were leased to Saikexing Reproductive Biotechnology for a term commencing from 2 April 2009 and expiring on 1 April 2059 at an annual rental of RMB15,298.
5. Saikexing Reproductive Biotechnology has obtained the Land Use Rights Certificate, Building Ownership Certificate and Real Estate Title Certificate for a parcel of land (with a site area of approximately 108,346.40 sq.m.), 9 buildings (with a total gross area of approximately 14,898.44 sq.m.) erected thereon, and portions of an office building (with a gross floor area of approximately 3,520.00 sq.m.), therefore we have provided our opinion of market value for them. In the valuation of this property, we have attributed no commercial value to the 13 buildings with a total gross floor area of approximately 478.00 sq.m. and structures of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures as at the valuation date would be RMB13,307,000 (Equivalent to HKD14,908,000).
6. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The Group has legally obtained the rights to use the state-owned construction land with the Real Estate Title Certificates/ State-owned Land Use Rights Certificate and is entitled, in accordance with the provisions of the PRC law, to occupy, use, transfer, lease, mortgage, or otherwise dispose of such land use rights through lawful means. As of 31 January 2026, the aforementioned land use rights are not subject to any mortgage or other encumbrances or restrictions on rights; and
 - b. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
7. For the purpose of this report, the property is classified into the group as "Group I – Property interests held and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
122. 9 buildings and various structures and an ancillary building under construction of Beef Cattle Farm, located at Denglutai Village, Wuliangtai Township, Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region, the PRC 肉牛場	The property comprises 9 buildings and various structures erected on leased land, which were completed in 2023. The 9 buildings have a total gross floor area of approximately 2,058.16 sq.m., mainly including office building, ancillary building and guardhouse. The structures mainly include cowsheds, hay sheds, silage facility, pools, enclosure walls and yards. In addition to the completed buildings and structures, there is an ancillary building which was under construction as at the valuation date and is scheduled for completion in 2026. Upon completion, this building will have a gross floor area of approximately 295.00 sq.m. The total construction cost is estimated to be approximately RMB434,000, of which approximately RMB369,500 had been paid as at the valuation date.	As at the valuation date, apart from a building being under construction, the remaining portion of the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 3)

Notes:

- Pursuant to 2 Land Lease Contracts entered into between Inner Mongolia Saikexing Beef Cattle Elite Breeding Co., Ltd. (內蒙古賽科星肉牛良種繁育有限公司, "Saikexing Beef Cattle", a 66.86% interest owned subsidiary of the Company) and People's Government of Wuliangtai Township, Qingshuihe County (清水河縣五良太鄉人民政府), the land use rights of 2 parcels of land with a total site area of approximately 213,597.86 sq.m. (320.4 Mu), on which the property is erected, were leased to Saikexing Beef Cattle for a term commencing from 26 July 2022 and expiring on 25 July 2052 at an annual rental of RMB60 per Mu.
- According to a Facility Agricultural Land Filing Notification (設施農業用地備案告知書) dated 12 July 2022, the "Qingshuihe Saikexing New Beef Cattle Core Breeding Project" (清水河賽科星新建肉牛核心育種項目) of Beef Cattle Farm complies with relevant industrial policies and market access standards and has therefore been approved for filing. The Group may proceed with the

construction activities based on this approval.

3. The replacement cost of the building under construction of the property as if completed as at the valuation date according to the development proposal and which can be freely transferred in the market, would be RMB434,000 (Equivalent to HKD486,200).
4. In the valuation of this property, we have attributed no commercial value to the 9 buildings and structures and the building under construction of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures and the replacement cost of the building under construction as at the valuation date would be RMB19,872,000 (Equivalent to HKD22,263,000) and RMB296,000 (Equivalent to HKD332,000) respectively.
5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
6. For the purpose of this report, the property is classified into the following group according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market Value in existing state as at the valuation date (RMB)	Depreciated Replacement Cost/Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
Group I – Property interests held and occupied by the Group in the PRC	No commercial value	19,872,000
Group II – Property interests held and under construction by the Group in the PRC	No commercial value	296,000
Total:	<u>Nil</u>	<u>20,168,000</u> (Equivalent to HKD22,595,000)

VALUATION CERTIFICATE

No. Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date <i>RMB</i>
123. 21 buildings and various structures and a structure under construction of Jiyuan Dairy Farm, located at Nanzhong Village, Zhicheng Town, Jiyuan City, Henan Province, the PRC 濟源牧場	The property comprises 21 buildings and various structures erected on leased land, which were completed in various stages between 2015 and 2025. The 21 buildings have a total gross floor area of approximately 10,128.80 sq.m., mainly including milking parlour, office building and dormitory building. The structures mainly include cowsheds, silage cellars, silage facility, hay sheds, concentrate store and fire protection facility. In addition to the completed buildings and structures, there is an oxidation pond which was under construction as at the valuation date and is scheduled for completion in 2026. Upon completion, this structure will have a gross floor area of approximately 3,500.00 sq.m. The total construction cost is estimated to be approximately RMB2,664,000, of which approximately RMB1,420,000 had been paid as at the valuation date.	As at the valuation date, apart from a structure being under construction, the remaining portion of the property was occupied by the Group for office, production, cattle breeding and ancillary purposes.	No commercial value (Refer to note 4)

Notes:

- Pursuant to 3 Land Lease Contracts entered into between Jiyuan Saikexing Animal Husbandry Co., Ltd. (濟源市賽科星牧業有限公司, "Jiyuan Saikexing", a 66.86% interest owned subsidiary of the Company) and Village Committee of Nanzhong Village, Zhicheng Town, Jiyuan City (濟源市軹城鎮南塚村村民委員會), the land use rights of a parcel of land with a total site area of approximately 367,522.99 sq.m., on which the property is erected, were leased to Jiyuan Saikexing for terms with the expiry dates on 19 February 2035, 19 February 2045 and 30 April 2048 at a total annual rental of RMB815,164.
- According to a Facility Agricultural Land Filing Approval (設施農業用地備案批復) dated 10 October 2012 and a Facility Agricultural Land Filing Status Statement (設施農業用地備案情況說明) dated 20 March 2017, the Group was authorized to use the land and proceed with construction for the

property.

3. The replacement cost of the structure under construction of the property as if completed as at the valuation date according to the development proposal would be RMB2,664,000 (Equivalent to HKD2,985,000).
4. In the valuation of this property, we have attributed no commercial value to the 21 buildings and structures and the structure under construction of the property due to the leased land nature. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and the structures and the replacement cost of the structure under construction as at the valuation date would be RMB101,214,000 (Equivalent to HKD113,392,000) and RMB1,420,000 (Equivalent to HKD1,591,000) respectively.
5. We have been provided with a legal opinion dated 23 April 2026 regarding the property interest issued by the Company's PRC legal advisor – Tian Yuan Law Firm, which contains, inter alia, the following:
 - a. The relevant lease agreements entered into by the Group with respect to such land are legal, valid, and enforceable, and the Group is entitled to use the land in accordance with the terms of such agreements.
6. For the purpose of this report, the property is classified into the following group according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market Value in existing state as at the valuation date (RMB)	Depreciated Replacement Cost/Replacement Cost of buildings and structures (for property without proper title certificates and/or in leased land nature) as at the valuation date (RMB)
Group I – Property interests held and occupied by the Group in the PRC	No commercial value	101,214,000
Group II – Property interests held and under construction by the Group in the PRC	No commercial value	1,420,000
Total:	<u>Nil</u>	<u>102,634,000</u> (Equivalent to HKD114,983,000)

The Board of Directors
China Youran Dairy Group Limited (the “**Company**”)
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia
China

April 30, 2026

Dear Sirs,

Re: (1) Connected transaction involving subscription of new shares under specific mandate; and (2) application for whitewash waiver (collectively, the “Transactions”)

We refer to the circular of the Company dated April 30, 2026 (the “**Circular**”) in connection with the Transactions. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We hereby give our consent, and confirm that we have not withdrawn our written consent, to the issue of the Circular with the inclusion of our advice, letter, report and/or summary of our opinions and references to our name and logo in the form and context in which they respectively appear in the Circular.

We also confirm that as at the Latest Practicable Date, we (i) did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since December 31, 2025 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

We hereby consent to this letter and our letter or report for the Transactions being made available for display as described in the Circular.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Larry Choi
Managing Director



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

仲量聯行企業評估及諮詢有限公司
香港英皇道979號太古坊一座7樓
電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼: C-030171

The Board of Directors
China Youran Dairy Group Limited (the “Company”)
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009, Cayman Islands

30 April 2026

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 30 April 2026 in relation to, among others, the captioned matters (the “**Circular**”). Capitalised terms used herein shall have the same meanings as those defined in the Circular, unless otherwise stated.

We hereby confirm that we have given and have not withdrawn our written consent to the issue of the Circular with the inclusion of our valuation report dated 30 April 2026 in relation to, amongst others, the captioned matters (the “**Summary of Property Valuation Report**”) and the references to our name and/or the Summary of Property Valuation Report in the form and context in which they appear.

We hereby further confirm that we have given and have not withdrawn our consent to this letter being made available for public inspection as described in the section headed “(P) DOCUMENTS ON DISPLAY” in Appendix III to the Circular.

We also confirm that as at the Latest Practicable Date, we:

(a) did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(b) did not have any interests, direct or indirect, in any assets which had been since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.



Yours faithfully,
for and on behalf of

JONES LANG LASALLE CORPORATE APPRAISAL AND ADVISORY LIMITED

A handwritten signature in black ink, appearing to read "Eddie T.W. Yiu", written over a horizontal line.

Eddie T.W. Yiu
MHKIS, MRICS, R.P.S.(GP)
Senior Director

The Board of Directors
China Youran Dairy Group Limited (the “Company”)
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia, PRC

Date: April 30, 2026

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW
SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 30 April 2026 (the “**Circular**”) in respect of the captioned matter. Unless otherwise defined herein, terms used in this letter shall have the same meanings as defined in the Circular.

We, J.P. Morgan Securities (Asia Pacific) Limited, as the financial adviser to the Company in connection with the Specific Mandate Subscription, hereby give our consent and confirm that we have not withdrawn our consent to the publication of our name in the Circular in the form and context in which they appear.

We also hereby consent to this letter being made available for display as described in the section headed “(P) Documents on display” in Appendix III to the Circular.

Yours faithfully,
For and on behalf of
J.P. Morgan Securities (Asia Pacific) Limited



Name: Lau Pak Wai
Title: Managing Director



Name: Lian Lian
Title: Vice Chair

The Board of Directors
China Youran Dairy Group Limited (the “Company”)
No. 169, Hexi Road, Saihan District
Hohhot, Inner Mongolia, PRC

Date: April 30, 2026

Dear Sirs,

**(1) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF NEW
SHARES UNDER SPECIFIC MANDATE;
(2) APPLICATION FOR WHITEWASH WAIVER; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 30 April 2026 (the “**Circular**”) in respect of the captioned matter. Unless otherwise defined herein, terms used in this letter shall have the same meanings as defined in the Circular.

We, the financial adviser to the Company in connection with the Specific Mandate Subscription, hereby give our consent and confirm that we have not withdrawn our consent to the publication of the Circular and to our name in the form and context in which they appear.

We also hereby consent to this letter being made available for display as described in the section headed “(P) Documents on display” in Appendix III to the Circular.

Yours faithfully,
For and on behalf of
CITIC Securities (Hong Kong) Limited



Name: Edmund Chan
Title: Managing Director, Head of M&A