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*China Shengmu Organic Milk Limited (the "**Company**") is regarded as having a Significant Public Float Shortfall under Rule 13.32F of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company (the "**Shares**") because: (a) the Company has failed to maintain the minimum public float required under Rule 13.32B of the Listing Rules, resulting in a shortfall that constitutes a Significant Public Float Shortfall as defined under Rule 13.32F of the Listing Rules; and (b) Stock Exchange will cancel the listing of the Shares if the Company fails to re-comply with Rule 13.32B of the Listing Rules within the prescribed period under Rule 13.32G(3) of the Listing Rules (i.e. by 2 February 2028).*

中国圣牧
CHINA SHENGMU

CHINA SHENGMU ORGANIC MILK LIMITED
中國聖牧有機奶業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1432)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

(Unless otherwise stated, all amounts are expressed in thousands of Renminbi ("**RMB**"))

	For the six months ended 30 June		
	2026	2025	**Movements**
	(Unaudited)	(Unaudited)	
FINANCIAL INFORMATION			
Revenue	**1,546,145**	1,444,274	**+7.1%**
Gross profit	**447,839**	364,866	**+22.7%**
Profit/(loss) for the period	**19,454**	(45,601)	**N/A**
Profit/(loss) attributable to owners of the parent company	**64,007**	(48,322)	**N/A**
KEY OPERATING INFORMATION			
Raw milk sales volume(tonnes)	**424,902**	372,973	**+13.9%**
Annualized milk yield per milkable cow (tonnes/head • year)	**13.14**	12.27	**+7.1%**
Cost of sales per kilogram of milk (RMB/kg)	**2.58**	2.89	**-10.7%**

INTERIM DIVIDEND

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2026 (for the six months ended 30 June 2025: Nil).

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

The board (the "**Board**") of directors (the "**Directors**") of the Company hereby presents the unaudited consolidated financial results of the Company and its subsidiaries (the "**Group**" or "**Shengmu**") for the six months ended 30 June 2026 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2025.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	Notes	**2026**	2025
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	**1,546,145**	1,444,274
Cost of sales		**(1,098,306)**	(1,079,408)
Gross profit		**447,839**	364,866
Loss arising from changes in fair value less costs to sell of biological assets		**(339,288)**	(471,255)
Changes of financial guarantee contracts		**(100)**	(301)
Other income and gains		**28,985**	166,525
Selling and distribution expenses		**(34,237)**	(26,062)
Administrative expenses		**(53,621)**	(55,768)
Impairment losses on financial and contract assets, net		**(237)**	(68)
Other expenses		**(1,120)**	(2,087)
Finance costs		**(27,455)**	(19,366)
Share of losses of associates		**(1,211)**	(1,870)
PROFIT/(LOSS) BEFORE TAX	5	**19,555**	(45,386)
Income tax expense	6	**(101)**	(215)
PROFIT/(LOSS) FOR THE PERIOD		**19,454**	(45,601)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

		For the six months ended 30 June	
	Note	**2026**	2025
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
Owners of the parent		**64,007**	(48,322)
Non-controlling interests		**(44,553)**	2,721
		19,454	(45,601)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For profit/(loss) for the period		**RMB0.008**	(RMB0.006)
Diluted			
– For profit/(loss) for the period		**RMB0.008**	(RMB0.006)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**19,454**	(45,601)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**—**	(3,000)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**—**	(3,000)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**—**	(3,000)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**19,454**	(48,601)
Attributable to:		
Owners of the parent	**64,007**	(51,322)
Non-controlling interests	**(44,553)**	2,721
	19,454	(48,601)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,717,786**	1,803,428
Right-of-use assets		**247,881**	257,661
Other intangible assets		**20,686**	22,209
Investments in associates		**80,177**	84,967
Biological assets		**3,181,290**	3,336,913
Cash and bank balances		**280,768**	52,223
Total non-current assets		**5,528,588**	5,557,401
CURRENT ASSETS			
Inventories		**538,885**	913,099
Biological assets		**13,100**	17,133
Trade receivables	9	**271,115**	278,680
Prepayments, other receivables and other assets		**68,722**	88,328
Other financial assets		**170,000**	—
Restricted bank deposits		**11,615**	695
Cash and bank balances		**571,150**	1,117,533
Total current assets		**1,644,587**	2,415,468
CURRENT LIABILITIES			
Trade and bills payables	10	**977,614**	1,700,839
Other payables and accruals		**134,024**	201,455
Lease liabilities		**17,301**	17,025
Interest-bearing bank and other borrowings		**1,613,767**	833,904
Tax payable		**67**	437
Total current liabilities		**2,742,773**	2,753,660
NET CURRENT LIABILITIES		**(1,098,186)**	(338,192)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,430,402**	5,219,209

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	As at	
	30 June 2026	31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Lease liabilities	**11,147**	24,704
Deferred income	**10,157**	12,116
Interest-bearing bank and other borrowings	**587,407**	1,377,288
Total non-current liabilities	**608,711**	1,414,108
Net assets	**3,821,691**	3,805,101
EQUITY		
Equity attributable to owners of the parent		
Share capital	**69**	69
Treasury shares held under the share award scheme	**(10,122)**	(18,876)
Reserves	**3,662,273**	3,609,884
	3,652,220	3,591,077
Non-controlling interests	**169,471**	214,024
Total equity	**3,821,691**	3,805,101

NOTES:

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2026 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2025.

Going concern basis

The Group had net current liabilities of RMB1,098,186,000 as at 30 June 2026 (as at 31 December 2025 RMB338,192,000). In view of the net current liabilities position, the board of directors has given careful consideration to the future liquidity and operation performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the unutilised banking facilities and cash flow projections for the twelve months ending 30 June 2027, the directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the directors have prepared the interim condensed consolidated financial information on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following amended IFRS Accounting Standard for the first time for the current period's financial information.

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and impact of the amended IFRS Accounting Standard are described below:

(a) Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify that a financial asset is derecognised when the entity's rights to the contractual cash flows expire or are transferred, while a financial liability is derecognised on the settlement date. The amendments introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Since the Group's accounting policy for the derecognition of financial assets and liabilities in prior years aligned with the amendments and the Group did not have the financial assets that were addressed by the amendments, the amendments did not have any impact on the interim condensed consolidated financial information. The Group will provide additional disclosures for its equity investments designated at fair value through other comprehensive income in the Group's consolidated financial statements for the year ending 31 December 2026.

(b) Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. As the Group did not have any contracts that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

(c) *Annual Improvements to IFRS Accounting Standards – Volume 11* set out narrow scope amendments to IFRS 1, IFRS 7(and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. The amendments include clarifications, simplifications, corrections or changes to improve consistency in the corresponding IFRS Accounting Standards. The amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

All of the Group's revenue was derived from customers located in Chinese Mainland and all of the Group's non-current assets were located in Chinese Mainland, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**1,546,145**	1,444,274

Disaggregated information for revenue from contracts with customers

	For the six months ended 30 June	
	2026	2025
Segment	**Sale of raw milk**	Sale of raw milk
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sale of goods	**1,546,145**	1,444,274
Geographical market		
Chinese Mainland	**1,546,145**	1,444,274
Timing of revenue recognition		
At a point in time	**1,546,145**	1,444,274

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,098,306**	1,079,408
Write-down of inventories to net realisable value	**—**	900
Loss arising from changes in fair value less costs to sell of biological assets	**339,288**	471,255
Changes of financial guarantee contracts	**100**	301
Depreciation of items of property, plant and equipment	**63,980**	63,550
Depreciation of right-of-use assets	**9,341**	8,990
Amortisation of other intangible assets	**1,370**	1,293
Minimum lease payments under operating leases	**7,098**	8,683
Impairment of financial and contract assets	**237**	68
Loss on disposal of property, plant and equipment	**519**	929

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	**120**	—
(Overprovision)/underprovision in prior years	**(19)**	215
Total	**101**	215

7. DIVIDENDS

The board did not recommend the payment of an interim dividend for the six months ended 30 June 2026 (for the six months ended 30 June 2025: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,333,626,000 (30 June 2025: 8,268,292,000) outstanding during the period.

The calculation of the diluted earnings/(loss) per share amount is based on the earnings/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 8,333,626,000 (30 June 2025: 8,268,292,000) outstanding during the period. There has been no dilutive impact on potential ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	**64,007**	(48,322)

	Number of shares	
	For the six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares outstanding during the reporting period used in the basic earnings/(loss) per share calculation	**8,333,626,000#**	8,268,292,000#
Weighted average number of ordinary shares outstanding during the reporting period used in the diluted earnings/(loss) per share calculation	**8,333,626,000**	8,268,292,000

The weighted average number of shares was after taking into account the effect of treasury shares held.

9. TRADE RECEIVABLES

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

	As at	
	30 June 2026	31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**271,115**	278,680

10. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2026	31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	**570,646**	1,026,200
4 to 6 months	**395,155**	663,280
7 to 12 months	**7,968**	3,757
1 to 2 years	**1,954**	2,485
2 to 3 years	**193**	885
Over 3 years	**1,698**	4,232
Total	**977,614**	1,700,839

11. SHARE AWARD SCHEME

On 19 April 2022 (the "**Adoption Date**"), the Company adopted a long-term share award scheme (the "**Share Award Scheme**"), which shall remain effective for ten years, to recognise the contributions by certain employees to the Group and to provide them with incentives. The board of directors approved three batches under the Share Award Scheme with an amount of RMB35,000,000 for each batch in 2022, 2023 and 2024.

A total number of 27,024,000 shares of the third batch of the Share Award Scheme were vested during the six months ended 30 June 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2026, China's economy maintained overall stability. According to data released by the National Bureau of Statistics, China's gross domestic product in the first half of the year amounted to RMB69,570.4 billion, representing a year-on-year increase of 4.7% at constant prices; total retail sales of consumer goods stood at RMB24,872.2 billion, representing a year-on-year increase of 1.3%. Among these, commodities retail sales of grain and oil, food and beverages recorded by businesses above a certain size threshold grew by 7.4% and 6.0% respectively. The national disposable income per capita reached RMB22,981, representing a nominal year-on-year growth of 5.2%; consumption expenditure per capita was RMB14,836, with a nominal year-on-year increase of 3.7%. Overall, basic consumption such as food and beverages maintained certain resilience, while resident consumption continued to exhibit rationalisation and structural divergence. The full recovery of dairy product consumption requires the joint impetus of consumer confidence, product innovation and diversified consumption scenarios.

In the first half of 2026, the domestic raw milk industry remained in a phase of supply-demand rebalancing. On the supply side, national milk output stood at 19.09 million tonnes, representing an increase of 0.44 million tonnes or 2.4% year-on-year, indicating certain resilience on the supply side. In terms of prices, data from the National Bureau of Statistics showed that the producer price of milk dropped by 0.2% year-on-year in the first half of the year. According to monitoring conducted by the Ministry of Agriculture and Rural Affairs covering 10 major producing provinces, including Inner Mongolia and Hebei, the average raw fresh milk price in the 4th week of June 2026 was RMB3.03 per kilogram, flat month-on-month and down by 0.3% year-on-year. It rebounded to RMB3.04 per kilogram in the 1st week of July, up by 0.3% month-on-month and unchanged year-on-year. Raw milk prices stayed at a relatively low historical level, yet the year-on-year decline narrowed markedly compared with earlier periods, showing marginal signs of stabilisation across the industry. The demand side remained the key variable for industry recovery. The consumer price of dairy products fell by 1.7% year-on-year in June 2026 and recorded an average decline of 1.1% in the first half of the year, reflecting sustained pressure on end-user prices and channel competition. Dairy consumption currently demonstrates structural divergence.

Demand for basic nutrition maintains resilience, while products targeting functional, nutritional, niche-population and convenient consumption scenarios carry greater growth potential. The alleviation of supply-demand imbalance in the industry depends not only on production capacity and herd structure adjustment on the supply side, but also on the upgrading of dairy-processing structure, expansion of consumption scenarios and gradual return of industrial-chain inventories to reasonable levels.

In terms of the cost, prices of major feeds remained generally stable. Monitoring by the Ministry of Agriculture and Rural Affairs showed that the average national corn price in the 1st week of July 2026 stood at RMB2.48 per kilogram, down by 0.4% year-on-year; the average soybean meal price was RMB3.18 per kilogram, representing a year-on-year decrease of 3.9%. The relatively stable feed-cost side has created phased conditions for large-scale farms to continuously cut unit costs through procurement synergy, formula optimisation, roughage management, precise feeding and herd health management. Under an environment where raw milk prices have not yet rebounded materially, yield per cow, herd structure, cost per kilogram of milk and cash-flow management capability remain the primary factors driving operational divergence among livestock enterprises. Meanwhile, the rebound in beef market prices has offered certain support for the disposal of retired cows and the fattening cow business. Data from the National Bureau of Statistics indicated that live cow prices rose by 8.3% year-on-year in the first half of 2026. Monitoring by the Ministry of Agriculture and Rural Affairs revealed that the average national beef price and live-cow price in major producing provinces in the 1st week of July increased by 5.3% and 6.0% year-on-year respectively. Such price movements help improve gains from cow disposal, yet sustained profit improvement for livestock enterprises still depends largely on supply-demand recovery, product mix and cost efficiency of the core raw-milk business.

In terms of the policy, the State continued to roll out arrangements focused on dairy industry relief, supply-demand balance and the expansion of dairy consumption. The 2026 Central Government No.1 Document proposed consolidating the achievements of relief for the beef cows and dairy cow industries, fostering supply-demand balance and sound development, adopting multiple measures to boost dairy consumption, and supporting the production of forage crops such as silage corn and alfalfa. Relevant policies issued by the Ministry of Agriculture and Rural Affairs further emphasised optimising herd structure, phasing out low-yield dairy cows in an orderly manner, preventing counter-cyclical expansion, promoting two-way extension of breeding and processing, developing intensive processing of dairy products, and expanding consumption scenarios including school milk programmes. Policy orientations indicate that the industry's development logic is gradually shifting from scale expansion towards supply-demand matching, quality enhancement, cost improvement and industrial-chain collaboration. Overall, the domestic raw milk industry had not entered a full-scale recovery phase in the first half of 2026. Nevertheless, signs of marginal improvement in the industry have grown as low-efficiency production capacity undergoes gradual adjustment, the year-on-year decline in raw milk prices narrows and cost sides remain relatively stable. Future industry competition will focus more on unit efficiency, special milk sources, customer collaboration, product innovation and cash-flow resilience.

BUSINESS OVERVIEW

The Group takes dairy-cow breeding as its core business, and principally produces and sells high-end desert organic raw milk, organic A2 raw milk, DHA raw milk and other premium raw milk. While deep-ploughing its core desert-organic-milk business, the Group continuously optimises its product mix in response to customers' demand for nutritious, healthy and functional raw milk. It consolidates its differentiated competitive advantages through herd genetic improvement, precise nutrition, smart farms and whole-industrial-chain organic resource management.

BUSINESS REVIEW

Herd Size

As at 30 June 2026, the Group operated 34 farms, including 1 fattening cow farm. It had a total of 143,046 cows in stock, among which 140,521 were dairy cows in stock, with the proportion of milkable cows accounting for 48.5% (as at 31 December 2025: 47.8%).

	As at	
	30 June 2026	31 December 2025
Number of Farms (number)	**34**	34
Dairy Cows in Stock (heads)	**140,521**	147,036
Among Which: Milkable Cows (heads)	**68,143**	70,316
Calves and Heifers (heads)	**72,378**	76,720
Fattening Cows (heads) [1]	**2,525**	3,655
Total(heads)	**143,046**	150,691
Percentage of Milkable Cows in Total Dairy Cows in Stock	**48.5%**	47.8%

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

Record-High Yield per Cow, Sales Growth Unlocking Production Efficiency

During the Reporting Period, the Group continued to advance herd-structure optimisation and upgrading of breeding technologies. Through selecting high-quality herds, improving the breeding system, iterating nutritional formulas and strengthening refined feeding management, the Group continuously enhanced the health status and production efficiency of milkable cows. In the first half of 2026, the annualised yield per milkable cow of the Group reached 13.14 tonnes, representing an increase of 0.87 tonnes or 7.1% year-on-year compared with the corresponding period of last year, hitting a new all-time high. Among these, the annualised yield per milkable cow in organic farms stood at 13.38 tonnes, rising by 1.00 tonne year-on-year; the annualised yield per milkable cow in conventional farms amounted to 12.47 tonnes, representing an increase of 0.39 tonnes year-on-year. The improvement in yield per cow was mainly attributable to enhanced herd quality, optimised nutritional programmes and on-site refined management. The Group dynamically adjusted nutritional programmes according to different lactation stages and health conditions of dairy cows, and continuously strengthened management over TMR preparation, diet uniformity, feeding timing and feed intake. Tools including the environmental-control data platform, cow collars and thermal imaging were adopted to enhance the timeliness of heat-stress management. During the Reporting Period, the Group further optimised its feed conversion and the structure of nutritional inputs. Key indicators including yield per milkable cow, milk fat and milk protein effectively improved, reflecting further enhancement in breeding technologies and lean-management capabilities.

Driven jointly by higher yield per cow and growing demand from core customers, the Group's raw milk sales volume reached 424,902 tonnes in the first half of the year, representing an increase of 51,929 tonnes or 13.9% year-on-year. The sales growth was mainly attributable to improved production efficiency and a higher proportion of high-performance milkable cows, rather than simple expansion of livestock inventory, which reflects the Group's quality- and efficiency-oriented operating strategy. Among these, raw milk sales to core customers maintained relatively rapid growth, while sales to other customers also achieved a year-on-year increase. In terms of product mix, the Group continued to leverage its strengths in organic and special milk sources. Sales volume of organic raw milk maintained steady growth. Functional raw milk such as DHA and organic A2 further enriched the product portfolio, with high-end raw milk accounting for 79.5% of total sales volume. Supported by quality standards, customer structure and resource scarcity, organic and special-feature raw milk maintained relatively strong profitability resilience during the period of low industry prices, and provided important underpinning for the Group's operational improvement.

Progress in Cost Reduction and Efficiency Enhancement with Notable Drop in Cost per Kilogram of Milk

During the Reporting Period, prices of major feed raw materials such as corn and soybean meal remained generally stable, creating certain external conditions for cost optimisation. The Group further improved the joint price-locking and procurement synergy mechanisms, optimised procurement timing and raw material mix to mitigate the impact of raw-material price volatility on operations. Meanwhile, it drove continuous optimisation of the cost structure through formula optimisation, substitution by domestic and local forage, equipment management and improvement of production workflows. In respect of feed formulas, the Group continuously promoted alternative solutions for rapeseed cake, flaked corn and other applicable raw materials by taking nutritional value, raw-material prices and herd performance into account, and collaborated with upstream forage-growing enterprises to replace part of imported alfalfa with domestic wrapped alfalfa. During the Reporting Period, the Group also strengthened management over TMR preparation, loading and unloading processes to reduce material wastage and unnecessary expenses, and improved feed conversion efficiency while safeguarding milk output and milk quality indicators.

Benefiting from higher yield per cow, lower feed costs and control over manufacturing expenses, the Group's cost of sales per kilogram of milk dropped to RMB2.58 per kilogram in the first half of the year, representing a decrease of RMB0.31 per kilogram or 10.7% year-on-year. Among which, feed cost per kilogram of milk stood at RMB2.08 per kilogram, down by RMB0.25 per kilogram or 10.8% year-on-year, constituting the major contributor to the decline in unit cost. Overall, improved yield per cow, lower feed costs and controlled manufacturing expenses jointly brought about better selling cost per kilogram of milk. Furthermore, the decline in the selling cost per kilogram of milk outpaced that of the average selling price of raw milk, further consolidating the Group's cost-curve advantage during the period of industry's low prices.

Demand-Driven Production and Continuous Optimisation of Herd Structure

During the Reporting Period, the Group continued to adhere to the operating principles of "demand-driven production, output control for quality improvement and benefit priority". On the basis of securing stable supply to core customers, the Group dynamically optimised herd structure and culling rhythm based on market demand, marginal contribution of cows and full-life-cycle value. As of 30 June 2026, the Group's total herd in stock stood at 143,046 head, representing a decrease of 7,645 head compared with end-2025 and a decrease of 3,470 head compared with the end of June 2025. The number of milkable cows was 68,143 head, down by 2,173 head compared with end-2025 yet up by 3,666 head compared with the end of June 2025. The proportion of milkable cows in total dairy cows in stock rose from 47.8% at end-2025 to 48.5% at the end of the current period, representing an increase of 3.6 percentage points compared with the end of June 2025. Heifers and calves decreased by 2,687 head and 1,655 head respectively compared with end-2025, marking further improvement in the productive structure of the herd. During the Reporting Period, the Group focused on optimising low-efficiency and high-parity herds, raised the proportion of young and high-efficiency milkable cows, and maintained reasonable reserve cow resources to provide flexibility for future changes in market demand and herd iteration.

The Group continued to strengthen the full-life-cycle management of reserve cows, and carried out targeted improvements focusing on calf colostrum feeding, heifer nutrition, monthly-age body weight, mating criteria and culling mechanisms. It also further enhanced breeding facilities, management standards and implementation mechanisms for reserve cows. The Group has designated the quality, health and breeding efficiency of reserve cows as key work for the second half of the year, so as to further consolidate the foundation for future yield per milkable cow and herd health.

Rebound in Cow Prices Improves Gains from Cow Disposal with Continuous Upgrading of Fattening-Cow Structure

During the Reporting Period, domestic live-cow and beef prices rebounded year-on-year. Based on cow health, body weight, production efficiency and market prices, the Group optimised tiered pricing and sales management for retired cows, and strengthened customer contract performance, shipment epidemic prevention and weighing management to boost cow-disposal efficiency and revenue per head. According to the Group's operating statistics, both the quantity of retired cows and average revenue per head in the first half of the year increased compared with the corresponding period of last year. In respect of the fattening cow business, the Group continued to cut down the inventory of low-efficiency Holstein fattening cows, and optimised herd structure focusing on high-end special fattening cows such as Wagyu and Angus. As of 30 June 2026, fattening cows in stock stood at 2,525 head, representing a decrease of 1,130 head compared with end-2025 and a decrease of 438 head compared with the end of June 2025. Going forward, the Group will further enhance the coordination among orders, breeds, breeding and sales to improve the differentiation capability and profit quality of this business. Nevertheless, such business will still be positioned as a value extension of the core raw-milk business and an important component of full-life-cycle cow management.

Strengthen Biosecurity and Quality Management to Safeguard Stable Production

Raw milk quality and herd health form the foundation of the Group's long-term operations. During the Reporting Period, the Group continued to refine its biosecurity management system covering personnel, vehicles, forages, farms and cows. Measures including closed-off farm management, multi-dimensional vehicle disinfection, regular farm sanitisation, vaccination and antibody monitoring were implemented. Procedures for the transportation and loading of retired cows were further standardised to mitigate cross-infection risks. The Group continuously advanced herd health and disease eradication management, adopting classified herd management based on environmental monitoring, cow testing and production performance. Meanwhile, training for veterinarians, nutritionists and farm management personnel was enhanced, and workflows for calf delivery, feeding, treatment and stress management were optimised to boost standardised implementation capability. The aforesaid measures ensured overall stable farm production, and provided support to organic farm certification, raw milk quality and long-term biological asset quality.

In terms of quality indicators, according to the Group's operating statistics, the effective sales rate of raw milk in the first half of the year was 99.9%, the high-grade rate was 99.4%, the S-grade pass rate was 99.5%, and the pass rate upon arrival was 99.93%. The Group will continue to improve end-to-end quality management spanning forage, breeding, milking, storage and transportation through to customer delivery, so as to ensure product safety and consistent quality.

Digital-Intelligent Transformation and Equipment Upgrading Drive Operational Efficiency Improvement

During the Reporting Period, the Group continued to advance the development of smart farm systems, bringing herd data, environmental control data, equipment operation and production workflows further under digital management. Leveraging collars, thermal imaging, environmental monitoring and herd data analysis, the Group enhanced the timeliness of heat-stress identification, calving early warning, feeding adjustment and health management. Through vehicle GPS, equipment inspection and maintenance data management, equipment utilisation efficiency was improved and unnecessary repair and fuel expenses were reduced. The smart farm case publicly released in May 2026 demonstrated that the Group had built a digital-technology foundation covering cloud infrastructure, data aggregation and governance, business intelligence analysis and AI vision capabilities, which has been applied in scenarios including operational data transmission, procurement synergy and milk-parlour data calibration. The Group also steadily promoted the trial and application of equipment such as milking robots, intelligent forage-homogenising devices, electric loaders and precision sprinklers. While improving animal welfare and production environment, the Group explored ways to cut labour, energy and maintenance costs. Relevant projects are still in the phased verification and roll-out stage, and the Group will prudently arrange subsequent investment based on actual input-output results.

Advance Green Production and Organic System Development

Leveraging the resource endowments of the Ulan Buh Desert, the Group continued to improve the organic circular system of "planting-breeding-soil fertilization". During the Reporting Period, the Group further strengthened the management of organic seeds and fertilisers, traceability of planting processes, and quality control of silage and forage. It promoted the application of high-quality local forage including domestic wrapped alfalfa, so as to enhance supply-chain stability while safeguarding organic standards and forage quality. In terms of environmental management, the Group continuously advanced the resource utilisation of manure, risk control of oxidation ponds and organic fertiliser processing. Manure utilisation efficiency was improved through solid-liquid separation, platform drying, sprinkler irrigation for soil fertilization and other approaches. The Group also promoted the application of new-energy equipment and precision water-saving facilities to reduce energy consumption and water resource wastage.

In respect of sustainable development governance, the Group released its tenth annual Environmental, Social and Governance Report in April 2026, and continued to improve climate-related disclosures with reference to IFRS Sustainability Disclosure Standard No. 2 "Climate-related Disclosures". In June 2026, the Board of Directors revised the terms of reference of the Strategy and Sustainable Development Committee, further clarifying the Committee's duties to study, review, supervise and examine medium- and long-term development strategies, material investments, as well as social responsibility and sustainable development matters that may affect the Group's operating performance and stakeholders. The Group will continue to integrate ecological governance, quality management, Board supervision and operational efficiency, advance animal welfare, water and energy conservation, manure resource utilisation and full-process organic traceability, and consolidate the differentiated advantages of desert organic raw milk.

Human Resources and Long-Term Incentive Mechanism

During the Reporting Period, the Group continued to drive organisational optimisation and digital-intelligent development to enhance the efficiency of production and management workflows. As at 30 June 2026, the Group had a total of 2,167 employees (as at 31 December 2025: 2,272). Total employee costs for the first half of 2026 (including remuneration of directors and senior management and expenses relating to the Share Award Scheme) amounted to RMB142.2 million (corresponding period in 2025: RMB149.2 million). Adhering to the market-oriented, performance-driven and mutual-development philosophy for remuneration and talent, the Group strengthens talent cultivation in areas such as farm management, nutritional technology, veterinary epidemic prevention, digital-intelligent operation and quality control.

Subsequent to the Reporting Period, to incentivise the management team and retain outstanding talents, on 3 July 2026, the Board of Directors granted a total of 114,073,000 award shares to 65 middle-to-senior management personnel (including one director) under the long-term Share Award Scheme adopted by the Company on 19 April 2022, representing approximately 1.36% of the Company's issued share capital as at the date of the grant announcement. Subject to satisfaction of the vesting conditions set out in the scheme rules and grant letters, 50% thereof shall vest on the first anniversary of the grant date and the remaining 50% shall vest on the second anniversary. Such grant constitutes a new round of medium- and long-term incentive arrangement covering 2026 to 2028 under the existing Share Award Scheme, and shall be satisfied by existing shares already purchased by the trustee and/or to be purchased by the trustee upon close of the offer period, without establishing a new share award scheme.

FINANCIAL REVIEW

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

Revenue

	For the six months ended 30 June	
	2026	2025
Sales volume (tonnes)	**424,902**	372,973
Average selling price (RMB/tonne)	**3,639**	3,872
Revenue (RMB'000)	**1,546,145**	1,444,274

Leveraging the long-term system built up through the Group to upgrade herd quality, the annualised average yield of milkable cows achieved a material breakthrough in the current period, increasing to 13.1 tonnes, representing a year-on-year increase of 7.1%. Notwithstanding a slight decline in the inventory scale of milkable cows, the Group's raw milk sales volume achieved 0.425 million tonnes, representing a year-on-year growth of 13.9%, benefiting from improved production efficiency and recovering market demand. The proportion of organic raw milk sales, the core product, remained stable.

During the first half of the year, demand from downstream markets picked up moderately, yet domestic raw milk selling prices failed to recover in tandem. Affected by downward industry pricing, the Group's average selling price of raw milk stood at RMB3,639 per tonne (corresponding period in 2025: RMB3,872 per tonne), representing a year-on-year decrease of 6.0%. The Group effectively offset the downward pressure on raw milk prices via growth in sales volume, attaining sales revenue of RMB1,546.1 million (corresponding period in 2025: RMB1,444.3 million), representing a year-on-year increase of 7.1%.

Cost of sales, gross profit and gross profit margin

	For the six months ended 30 June	
	2026	2025
Cost of sales (RMB'000)	**1,098,306**	1,079,408
Gross profit (RMB'000)	**447,839**	364,866
Gross profit margin	**29.0%**	25.3%

During the Reporting Period , the cost of sales for the raw milk business amounted to RMB1,098.3 million (corresponding period in 2025: RMB1,079.4 million), representing a year-on-year increase of 1.8%, jointly driven by the Group's continuous optimisation of operational efficiency and substantial improvement in the yield per milkable cow, coupled with the fall in market prices of bulk feed materials, the cost of sales per kilogram of milk stood at RMB2.58 per kilogram during the period (corresponding period in 2025: RMB2.89 per kilogram), representing a year-on-year decrease of 10.7%.

Supported by the double-digit growth in raw milk sales volume and the reduction in cost of sales per kilogram of milk, the gross profit of the raw milk business recorded steady growth, with a gross profit margin of 29.0% (corresponding period in 2025: 25.3%), representing a year-on-year increase of 3.7 percentage points.

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

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

During the Reporting Period, the loss arising from changes in the fair value less costs to sell of the Group's biological assets was RMB339.3 million (corresponding period in 2025: RMB471.3 million), representing a decrease in loss of RMB132.0 million as compared with the corresponding period. The main reasons were: (i) the material improvement in yield per milkable cow and remarkable results in cost control, which drove a year-on-year decrease in loss from the revaluation of fair value of dairy cows for the current period; and (ii) the recovery of market selling prices for live cows, leading to a substantial reduction in loss generated from retired cows of the Group as compared with the corresponding period.

Other income and gains

Other income and gains comprise government grants, interest income, and income from fattening cow breeding and sales of **TOC** ("TOC" or "To Customer" refers to enterprises directly selling products or services to individual consumers (end-users)) terminal beef products, among other businesses.

During the Reporting Period, this item recorded RMB29.0 million (corresponding period in 2025: RMB166.5 million), representing a decrease of 82.6% year-on-year. The change was mainly driven by the following factors: (i) industrial support financial subsidies granted by local governments decreased by RMB93.1 million as compared with the corresponding period; and (ii) the corresponding period in 2025 included a one-off gain of RMB45.6 million arising from the write-back of litigation provisions recognised in prior years.

Fattening cow breeding and terminal beef product sales business

	For the six months ended 30 June							
	2026				2025			
	Sales Volume (Head)	**Revenue (RMB'000)**	**Cost of Sales (RMB'000)**	**Gross profit (RMB'000)**	Sales Volume (Head)	Revenue (RMB'000)	Cost of Sales (RMB'000)	Gross profit (RMB'000)
Fattening cow breeding business								
Fattening cow	**8,099**	**42,922**	**31,881**	**11,041**[1]	15,010	145,461	142,518	2,943 [1]
Subtotal	**8,099**	**42,922**	**31,881**	**11,041**	15,010	145,461	142,518	2,943
Terminal beef product sales business								
Cut beef	**–**	**1,661**	**1,328**	**333**	–	3,485	3,119	366
Beef crisps	**–**	**1,449**	**1,001**	**448**	–	1	1	0
Subtotal	**–**	**3,110**	**2,329**	**781**	–	3,486	3,120	366
Total	**8,099**	**46,032**	**34,210**	**11,822**	15,010	148,947	145,638	3,309

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

During the Reporting Period, the Group's fattening cows breeding business recorded a slaughter volume of 8,099 head and achieved sales revenue of RMB42.9 million (corresponding period in 2025: RMB145.5 million). Benefiting from rising market prices of beef and the competitive edge of the Group's "high quality, high price" operation strategy in the high-end beef market, net gain surged by 275.2% to RMB11.0 million, offsetting the adverse impact of the year-on-year decline in sales revenue on gain.

During the Reporting Period, within the Group's TOC end beef products business, sales revenue of beef crisps recorded a substantial year-on-year growth at RMB1.4 million (corresponding period in 2025: RMB1,000). The market expansion of such product represents the tangible outcome of the Group's continuous enrichment of its product portfolio and layout in the casual meat products track.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to RMB34.2 million (corresponding period in 2025: RMB26.1 million), representing a year-on-year increase of 31.4%. This was mainly attributable to the following factors: (i) the sales volume of raw milk rose by 13.9% year-on-year, and the expansion of business scale led to a corresponding increase in total transportation expenses; (ii) transportation cost per kilometre climbed due to the surge in international oil prices; and (iii) sales volume of TOC end beef products grew, resulting in higher marketing and channel selling expenses compared with the corresponding period.

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB53.6 million (corresponding period in 2025: RMB55.8 million), representing a year-on-year decrease of 3.8%. The ratio of administrative expenses to sales revenue dropped from 3.9% in the corresponding period to 3.5% in the current period, representing a decrease of 0.4 percentage points.

Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB1.1 million (corresponding period in 2025: RMB2.1 million), representing a year-on-year decrease of RMB1.0 million, which was mainly due to the impairment provision of RMB0.9 million recorded for inventory milk powder as compared with the corresponding period. In addition to the aforesaid items, other expenses primarily comprised public welfare donation expenditures.

Finance costs

During the Reporting Period, the Group maintained the credit facilities at a solid level of RMB10 billion. Seizing the opportunity of low market interest rates, the Group continuously reduced its overall finance costs through measures including expanding policy subsidized loans, optimizing low-cost financing arrangements and adjusting debt structure. During the Reporting Period, finance costs amounted to RMB27.5 million (corresponding period in 2025: RMB19.4 million), representing a year-on-year increase of RMB8.1 million. This was mainly attributable to the receipt of interest subsidy grants for ethnic trade of RMB8.5 million in the corresponding period, whereas the approved subsidy funds had not yet been received in the Reporting Period. Excluding the impact of interest subsidy for ethnic trade, finance costs during the Reporting Period remained the same as those of the corresponding period.

Share of losses of associates

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

During the Reporting Period, the share of losses from the aforesaid associates amounted to RMB1.2 million (corresponding period in 2025: RMB1.9 million).

Income tax expense

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

During the Reporting Period, the Group's income tax expense was RMB0.1 million (corresponding period in 2025: RMB0.2 million).

Profit/(loss) attributable to owners of the parent company and profit/(loss) attributable to non-controlling interests

As a result of the combined effects of the above factors, the profit attributable to owners of the parent company during the period was RMB64.0 million (corresponding period in 2025: loss attributable of RMB48.3 million), marking a turnaround from a loss to a profit year-on-year, with an increase in profit of RMB112.3 million.

Profit/(loss) attributable to non-controlling interests mainly represents the profit or loss for the period attributable to the dairy farmers with whom we cooperated in relation to dairy farm management of our farms. During the Reporting Period, the loss attributable to non-controlling interests was RMB44.6 million (corresponding period in 2025: profit attributable of RMB2.7 million). The increase in loss was due to the impact of the concentrated sale of dairy cows at one of the co-managed farms.

During the Reporting Period, the Group's cash EBITDA (non-IFRS financial measure) amounted to RMB471.7 million (corresponding period in 2025: RMB484.4 million), representing a year-on-year decrease of RMB12.7 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and financial resources

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

During the Reporting Period, the Group's credit facilities maintained a credit limit of RMB10 billion, with a stable credit utilization rate of less than 30%, which protected the Group's stable operation. The Group strengthened its fund management strategy featuring "relying mainly on internal operating cash flows and supplemented by external financing". Core capital requirements are met by relying on the capital cycle regenerated from internal operations, complemented by moderate external financing to optimise the maturity and scale allocation of funds, reasonably contain financing costs and mitigate financial risks. This ensures effective fulfilment of capital demands for production and operation, project investments and strategic development, underpinned by an overall sound financial structure and continuously enhanced capital support capacity.

Interest-bearing bank borrowings

As at 30 June 2026, the Group's interest-bearing bank borrowings amounted to RMB2,201.2 million (as at 31 December 2025: RMB2,211.2 million), all of which were denominated in Renminbi, of which interest-bearing bank borrowings repayable within one year amounted to RMB1,613.8 million (as at 31 December 2025: RMB833.9 million). The annual interest rates of interest-bearing liabilities ranged from 0.55% to 2.80% (for the year ended 31 December 2025: 0.40% to 3.00%).

The Group's net borrowings are calculated on the basis of interest-bearing bank borrowings (excluding lease liabilities) less cash and bank balances and short-term investment deposits. As at 30 June 2026, net borrowings amounted to RMB1,299.3 million (as at 31 December 2025: RMB1,041.4 million), representing an increase of RMB257.9 million as compared with the end of 2025.

Capital structure

As at 30 June 2026, the Group's total assets amounted to RMB7,173.2 million, comprising current assets of RMB1,644.6 million, non-current assets of RMB5,528.6 million. Total liabilities amounted to RMB3,351.5 million, comprising current liabilities of RMB2,742.8 million, non-current liabilities of RMB608.7 million. The Group's total equity amounted to RMB3,821.7 million (as at 31 December 2025: RMB3,805.1 million)

As at 30 June 2026, the Group's financial leverage ratio, calculated as interest-bearing bank and other borrowings (including lease liabilities) divided by total equity, was 58.3% (as at 31 December 2025: 59.2%), representing a decrease of 0.9 percentage points compared with the end of 2025.

Charge on assets

As at 30 June 2026, the Group's total restricted bank deposits amounted to RMB11.6 million (as at 31 December 2025: RMB0.7 million), representing an increase of RMB10.9 million compared with the end of 2025. Of which RMB11.0 million was pledged to banks in the PRC as deposits for the issuance of letters of credit.

Capital commitments

As at 30 June 2026, the Group's capital commitments relating to the acquisition of property, plant and equipment amounted to RMB3.6 million (as at 31 December 2025: Nil).

Contingent liabilities

As at 30 June 2026, the Group provided guarantees for bank borrowings of RMB40.0 million (as at 31 December 2025: RMB130.0 million) of Shengmu Forage. The external guarantees provided by the Group were recognised in the financial statements, adopting the valuation of the guarantees determined by the independent professional valuers as the best estimate of payment required for the performance of the relevant existing obligations in accordance with the requirements of IFRS.

Foreign exchange risk

The Group's operations are primarily located in Chinese Mainland and the majority of transactions are conducted in RMB. As at 30 June 2026, the Group had no significant foreign exchange risk in respect of its operations except for cash of approximately RMB1.2 million and RMB0.1 million denominated in USD and HKD respectively. As at 30 June 2026, the Group had not entered into any arrangements to hedge against any foreign exchange fluctuations.

Credit risk

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

Environmental policies and performance

During the Reporting Period, the Group's operations complied in all material respects with the currently applicable national and local environmental protection laws and regulations in the PRC.

Material acquisitions and disposals

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

Plans for material investments or acquisition of capital assets

Save as disclosed above in "Capital Commitments", as of the date of this announcement, the Group does not have any plans for material investments or acquisitions of capital assets.

Events after the reporting period

Reference is made to the joint announcement published by the Company and China Modern Dairy Holdings Ltd. ("**China Modern Dairy**") dated 30 October 2025 regarding, among others, the possible mandatory conditional cash offer by CLSA Limited on behalf of China Modern Dairy to acquire all the issued shares of the Company (other than those already owned or agreed to be acquired by China Modern Dairy and Start Great Holdings Limited) (the "**Offer**").

On 7 May 2026, the conditions precedent to the transactions contemplated under the Share Purchase Agreements (as defined in the Offer announcement dated 30 October 2025) and the Offer were successfully satisfied, and the completion of the Share Purchase Agreements took place on 22 May 2026. Immediately following the completion of the Share Purchase Agreements, China Modern Dairy and parties acting in concert with it formally made the Offer pursuant to Rule 26.1 of the Takeovers Code, and the composite document containing details of the expected timetable, terms, and acceptance procedures of the Offer was officially dispatched to all shareholders on 30 June 2026 (the "**Composite Document**").

On 20 July 2026, as the valid acceptances received under the Offer, together with the shares already held by China Modern Dairy and parties acting in concert with it, resulted in their holding of more than 50% of the voting rights of the Company, the condition of the Offer was officially satisfied and the Offer has become unconditional in all respects.

Immediately thereafter, on 21 July 2026 (i.e., the First Closing Date), the level of valid acceptances further climbed to 4,182,348,204 Shares (representing approximately 49.90% of total issued share capital of the Company), leading China Modern Dairy and parties acting in concert with it to hold an aggregate of 81.17% of the total issued share capital of the Company. In view of such a high level of acceptances, the Company concurrently noted on the same day that the public float of the Company may face the risk of non-compliance with the requirements under Rule 13.32B of the Listing Rules. The Offer closed on 3 August 2026.

As at 3 August 2026, China Modern Dairy had received valid acceptances in respect of an aggregate of 4,379,519,346 Shares (representing approximately 52.25% of the total issued share capital of the Company), such that China Modern Dairy and parties acting in concert with it became interested in approximately 83.52% of the total issued share capital of the Company.

As disclosed in the Composite Document, the directors of China Modern Dairy have jointly and severally undertaken to the Stock Exchange that they will take appropriate steps to ensure the Company's compliance with Rule 13.32B of the Listing Rules at the earliest possible moment. As disclosed in the announcement dated 11 August 2026, the Company has been informed that China Modern Dairy is actively considering measures to restore the public float of the Company, including but not limited to on-market and off-market disposal of Shares. Taking into account the historical liquidity of the Shares, the expected time required for identifying potential investors, and discussing and finalising the relevant transaction terms and conditions, it is currently expected that the public float of the Company will be restored to comply with Rule 13.32B of the Listing Rules by the end of June 2027.

Announcements will be made by the Company on a monthly basis until the public float of the Company is restored, so as to keep shareholders informed of the progress of the implementation of the restoration plan.

FUTURE OUTLOOK

Looking ahead to the second half of 2026, the domestic raw milk industry is expected to remain in a phase of supply-demand rebalancing and cyclical bottom-out recovery. Certain inertia persists on the supply side, while end-product dairy prices and channel competition remain under pressure, rendering the industry recovery phased and uncertain. Meanwhile, the year-on-year decline in raw milk prices has narrowed markedly. Adjustments to low-efficiency production capacity and herd structure are being continuously advanced, prices of major feeds remain generally stable, and the foundations for marginal improvement across the industry are gradually building up. Policies continue to emphasise consolidating achievements in dairy-sector relief, fostering supply-demand balance, expanding dairy consumption and promoting coordination between breeding and processing. The industry's competitive logic will further shift from scale expansion towards efficiency, quality and sound operating capabilities. Enterprises boasting unit-cost advantages, special milk sources, stable customer relationships, sound cash flow and industrial-chain coordination capacity are expected to gradually demonstrate competitive strengths amid the industry recovery.

Against the aforesaid environment, the Group will continue to adhere to sound operations and the operating principles of "demand-driven production, output control for quality improvement and benefit priority", with focus placed on advancing the following work: First, continuously improve herd quality and yield per cow. Centring on reserve cow quality, genetic improvement, breeding efficiency, perinatal management, heat and cold stress as well as animal welfare, the Group will further refine full-life-cycle herd management. While maintaining reasonable reserve cow resources, the proportion of high-performance milkable cows and output capacity per unit of assets will be raised. Second, consolidate competitive advantages on the cost curve. The Group will further deepen procurement synergy, formula optimisation and substitution by high-quality local forage, and enhance the efficiency of TMR preparation, precision feeding, equipment maintenance and energy management. It will keep optimising cost per kilogram of milk on the premise of safeguarding milk output and quality, while strictly controlling controllable expenses to improve input-output efficiency. Third, deepen industrial-chain coordination with core customers. The Group will continue to secure stable supply of organic and special-feature raw milk for core customers. In response to end-consumers' demand for healthy, nutritious and functional products, it will drive the research and development and supply of organic A2, DHA and other functional raw milk to upgrade product mix and value-creation capacity. Fourth, strengthen quality safety and biosecurity. The Group will keep improving the systems for raw milk quality, animal disease prevention and control, farm sanitisation and full-process traceability, and step up personnel training and standardised implementation so as to safeguard herd health, raw milk quality and stable farm production. Fifth, push forward digital-intelligent transformation and green production. Based on pilot outcomes, the Group will prudently scale up applications including intelligent feeding, milking robots, electric equipment and precision environmental control to enhance production transparency and decision-making efficiency. Meanwhile, it will continuously strengthen water-resource utilisation, environmental-protection facilities, manure resource utilisation and new-energy management to consolidate the sustainable-development capacity of the desert organic industry. Sixth, improve full-life-cycle value management for cows. Taking raw milk demand, herd efficiency and beef-market shifts into account, the

Group will dynamically optimise operating strategies for retired cows and fattening cows, and continuously improve the structure and sales coordination of high-end special-feature fattening cows, so as to lift the comprehensive value of cow assets while supporting the core raw-milk business. Seventh, steadily advance industrial coordination. Subsequent to the Reporting Period, the mandatory cash offer proposed by China Modern Dairy became unconditional in all respects on 20 July 2026. Pursuant to the offer composite document, China Modern Dairy intends to continue the Group's existing businesses, pursue synergies in respect of large-scale procurement, cost management, digital-intelligent management, breeding and professional feed formulas, and maintain the Company's listed status. The Group will carry out subsequent handover work in compliance with laws and regulations, and prudently assess and unlock industrial-synergy value on the basis of preserving the features of organic milk sources and operational continuity.

Overall, the Group will seize opportunities brought by marginal industry improvement and policy support, while remaining prudent about uncertainties in raw milk prices, end-user demand and the external environment. By continuously boosting yield per cow, optimising herd structure, lowering unit costs, strengthening special milk sources and deepening industrial-chain coordination, the Group will further enhance operating quality and profitability, laying a foundation for unlocking operational flexibility during the industry's cyclical recovery.

CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, we have adopted, applied and complied with the code provisions contained in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

MODEL CODE FOR DIRECTORS'SECURITIES TRANSACTIONS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

As at 30 June 2026, the Audit Committee comprised two independent non-executive Directors (Mr. Wang Liyan and Mr. Wu Liang) and a non-executive Director (Mr. Zhang Ping), and was chaired by Mr. Wang Liyan.

The Audit Committee has reviewed, with the Company's management and the external auditors, the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and system and financial reporting matters, including the review of the Group's interim results for the six months ended 30 June 2026.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the six months ended 30 June 2026 has been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the six months ended 30 June 2026. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

INTERIM DIVIDEND

The Board of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2026 (for the six months ended 30 June 2025: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www. hkexnews.hk and on the website of the Company at www.shengmuorganicmilk.com. The interim report of the Company for the six months ended 30 June 2026 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

APPRECIATION

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

By Order of the Board
China Shengmu Organic Milk Limited
Chen Yiyi
Chairman

Hong Kong, 26 August 2026

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